P.A.C. 9-II.

PUBLIC ACCOUNTS COMMITTEE
1955-56

NINETEENTH REPORT

[Appropriation Accounts (Defence Services), 1953-54]

Vol. II—Appendices

LOK SABHA SECRETARIAT
NEW DELHI
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APPENDIX I

MINISTRY OF DEFENCE

Para 8 *Audit Report; (Defence Service)*, 1955—*Advance collection of stores for unsanctioned works*

Have the Ministry fixed the responsibility for the irregularity and also taken steps to ensure strict observance of the rules and the authorised procedure in such cases?	The disciplinary aspect of the case is being pursued vigorously and the final outcome will be communicated to the Public Accounts Committee in due course. Instructions are being issued to ensure that in no case stores required for a project is debited to another. Instructions already exist that on no account should stores be collected for projects before the issue of administrative approval and allotment of funds. Where projects are of such urgency as to necessistate advance collection of stores, prior approval of the CFA should be obtained. D.A.D.S. has seen. Joint Secretary.

APPENDIX II

MINISTRY OF DEFENCE

Para No. 9. Audit Report (Defence Service), 1955—Loss and infructuous expenditure due to over-provisioning of stores for a works project

Has any responsibility been fixed for the losses aggregating Rs. 44,967?	In view of the chain of events and the speed with which the work was rushed through and also because the case is old, it is difficult to hold any individual officer responsible for the irregularity and no disciplinary action is now possible.
What steps the Ministry propose to take to avoid recurrence of such cases in future?	Under the existing procedure, administrative approvals for projects are issued ahead of the date scheduled for commencement of work, so that sufficient time is available for planning, preparation of drawings and working out stores requirements on a reasonably firm basis. The range of stores to be issued by Government to contractors has also been narrowed down to a few items like steel and cement. Instructions have also been issued to Chief Engineers that stores requirements for projects should be calculated reasonably accurately, so that Government is not put to any loss on this account.

D.A.D.S. has seen.

Joint Secretary.

APPENDIX III

No. 6(63)/55/D(O & D)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 2nd June 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services)* 1953-54 *and Audit Report,* 1955—*List of points on which further information to PAC was promised.*

Para 12—*Audit Report* 1955—*Purchase of stores from U.K.*

"(a) Who was the Officer responsible for placing the order on the U.K. Ministry of Supply and did he show the full description of the stores required as desired by the M.G.O?

Was the term 'NS' a recognised one. If so, what was its meaning in full? How did he interpret 'NS' to mean 'New Stock' without obtaining clarification from the suppliers?

Is any action proposed to be taken against him?".

The Military Adviser to the High Commissioner for India in U.K. has been asked to furnish the required information urgently. The information will be furnished on receipt of a reply from the Military Adviser to the High Commissioner for India in U.K.

"(b) Was the entire stock received in one consignment or in a number of consignments? In the latter case, the dates may be given. How much of it has been used so far; how much remains to be used and out of the portion to be used what is the proportion of the stores which has been rejected?"

The entire stock was received in one consignment in June 1952.

(i)	Quantity demanded. ..	250,000
(ii)	Quantity short shipped and not accounted for in the relevant invoice. ..	196
(iii)	Quantity short landed and for which claim has been settled between Embarkation Commandant and Shipping agents ..	72
(iv)	Quantity received deficient and included in the claim submitted by Army HQ to U.K. authorities. ..	26

(v) Quantity downgraded as a result of special survey. .. 80,674

(vi) Quantity held in stock

Serviceable .. 110,085

Repairable .. 4,338

Condition not known due to lack of information regarding lot details .. 52,068

(vii) Quantity issued to retail depots for expenditure. .. 2,541

"(c) What is the approximate amount of financial loss sustained by Government in this case."

The approximate amount of financial loss sustained by Government on account of 80,674 stores having been down-graded as a result of recent survey is £. 62,719. In addition there would be some loss on account of the following factors:—

(a) Difference in value between serviceable and repairable stores for the quantity sentenced repairable.

(b) Possible down-gradings in the large quantity of 52,068 stores still to be conditioned.

(c) Handling charges including inland transportation in India etc., on stores rendered unserviceable and repairable etc.

It is, however, not possible to assess and indicate the amount of the loss on account of the above factors.

D.A.D.S. has seen.

Joint Secretary.

APPENDIX IV

No. 6(66)/D (O & D)
GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
New Delhi, the 4th June, 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services)* 1953-54 *and Audit Report* 1955—*List of points on which further information to P.A.C. was promised.*

Para 13—*Audit Report* 1955—*Procurement of Mechanical Transport Vehicles*

(a) What is the existing procedure for categorisation, discard/condemnation of vehicles?

Broadly speaking, the existing procedure for categorisation, discard/condemnation of vehicles is as follows:—

(i) *Categorisation.*—All fit stocks of vehicles held by units and depots are periodically inspected by the technical authorities, *i.e.* E.M.E. Wksps, *vide* Army Order 54/56 and Standard Vehicle Procedure Part II Serial No. 2 Appendix VI respectively (relevant extracts enclosed.) Vehicles which, as a result of this inspection, are found fit for active service or can be made so by limited repairs and which have performed the minimum prescribed mileage are categorised as class I and II (fit vehicles).

Those vehicles which, as a result of inspection, are found to require repairs beyond the unit/depot capacity but not amounting to overhaul, are categorised class III or IV (repairable vehicles). These vehicles are subsequently repaired by EME 2nd Echelon Workshops.

Those vehicles which require overhaul are categorised class V (repairable). These vehicles are subsequently repaired in the EME 4th Echelon (Army/Command) Workshops.

NOTE:—3rd Echelon Workshops exist in field only and are meant for taking over the overflow from 2nd Echelon Workshops.

Those vehicles which have met with serious accidents or sustained extensive damage or deterioration and whose repairs will cost an excessive amount of money, are categorised class VI (beyond economical repair).

Those vehicles which are superseded by the later models and are not considered fit for service use are categorised class VII (obsolete). Such vehicles are declared obsolete

by General Staff Branch (Army Headquarters) from time to time with the concurrence of Ministries of Defence and Finance (Defence).

(ii) *Discard/condemnation.*—All class VI (beyond economical repairs) and class VII (obsolete) vehicles are discarded from time to time. These are disposed of to public through Salvage Organisation of the Army after extensive removal of useful parts. Class III to V vehicles (repairable) are also sometimes discarded when rendered surplus to requirements as a result of assessment of requirements from time to time. These vehicles are disposed of to public through auctions arranged by the DGS & D.

(b) What were the reasons for acquisition of these vehicles when there were already surpluses even after discarding 50% of the pre-1948 repairable stocks? What was the number of such vehicles separately under repairable and which were beyond repairs? What was the number of other vehicles (excluding pre-1948 repairable vehicles)?

Purchases were made in 1950-51 and 1951-52 with a view partly to replace the old 4×2 vehicles and partly to offset the deficiency of 4×4 vehicles because the latter types were not available at that time. The vehicles referred to in the second sub para of the Audit Paragraph is Lorry 3 ton 4×2 GS. Although we had deficiency in Lorries 3 ton 4×4 GS, suitable 4×4 vehicles required to meet the deficiency were not available. It was, therefore, decided to purchase 3 ton 4×2 vehicles against the turnover of the fleet plan and to use them against the deficiency of 3 ton 4×4 vehicles. Lorry 3 ton 4×2 GS is a commercial type of vehicle which is used by the static formations while Lorry 3 ton 4×4 is a military type of vehicle having cross-country performance and is required for use by the field formations. The purchase of 3 ton 4×2 vehicles was resorted partly to replace the wartime vehicle fleet which, owing to its age, could not be considered as operationally fit, and partly to meet the deficiency of 3 ton 4×4 vehicles in times of emergency only so long as the 4×4 types were not available.

The number of fit and repairable pre-1948 and post-1948 Lorries 3 ton 4×2 was as under:—

	Pre 1948		Post 1948	
	Fit	Rep	Fit	Rep
1950-51	6187	4193	—	—
1951-52	6231	4727	847	—

The number of BER (Class VI) vehicles is not readily available as these are discarded and disposed of through Salvage from time to time as and when they arise. These are, therefore, not taken into consideration for the purpose of provision review.

(c) What were the reasons for ignoring 50% of the repairable vehicles on an *ad hoc* basis for the purposes of the provisioning review?

Mechanical transport vehicles, like all other equipments, have a span of life after which not only their maintenance and running becomes uneconomical due to excessive consumption of spare parts, fuel and lubricants, but they cannot also be depended upon to stand the strain of operations and continued use for any length of time. A large percentage of the vehicles now in service was brought into India during the war years. Many of these vehicles had been used in the various theatres of war before arriving in this country. On conclusion of the last war, various units were sent to South East Asia Command and, on arrival in that Command, the vehicles were taken into service. India, at that time, was the base for the South East Asia Command. Bearing in mind the age of the existing vehicle fleet and in the light of the opinion of Army authorities about the poor condition of these vehicles, Government came to the conclusion that the system of counting every vehicle, irrespective of its date of manufacture and purchase as an asset, gave a most erroneous impression of the actual situation.

There was also the paramount need of ensuring that our field force units at least are equipped with vehicles which will stand up to sustained movement in operations. Another important consideration was the extent to which repairable vehicles could be expected to be repaired and put back into service during the period of review. Taking into account all these factors, it was agreed that for purposes, of provision reviews, it would be misleading to count the repairable vehicles as 100% assets and that a gradual replacement of the vehicle fleet by new purchases should be undertaken.

(d) What action has been taken to dispose of surplus vehicles?

As a result of review in 1952, it was discovered that approximately 30,000 'B' Vehicles were surplus to Army requirements. Out of these, Government approval for the disposal of 13,743 vehicles (14,162 were originally agreed to for disposal but 419 were subsequently withdrawn) was obtained in 1953. Since then, 8,434 vehicles have already been disposed of by the DGS & D and the remaining 5,309 vehicles are in the process of being retrieved and progressively declared to the DGS & D for disposal.

D.A.D.S. has seen.

Joint Secretary.

Extract from AO 54/56

Periodicity of inspection by EME of vehicles/equipment held by units.—

1. The existing periodicity of EME inspections of vehicles and equipment has been revised and is shown at Appendix 'A'.

2. The new periodicity of inspections will come into effect from 1st January, 1956 when it will be adopted by all concerned.

Appendix 'A' to AO 54/56

Periodicity of inspection by EME of vehicles/equipment held on charge of units.

S. No.	Equipment	Periodicity	Responsibility	Remarks
1	'A' & 'B' Vehicles and Fire Trailer Pumps.	Six-weekly Quarterly Annually	1st Echelon Workshops (LADS) 2nd Echelon Workshops ADME/CEME	1. Inspection programmes will be so arranged that (a) Quarterly inspections will coincide with and replace alternate six weekly inspections. (b) Annual inspections of ADME/CEME will coincide with and replace one of the quarterly inspections. This can be achieved by A DsME/CsE ME planning their annual inspections well ahead and informing workshops concerned. A specimen inspection programme for a unit is given at Appx. 'B'. This implies that there will in all be eight inspections only per year. 2. UROs will not carry out inspections. 3. Six weekly inspections of units without LADS attached, will be carried out by dependent 2nd Echelon Workshops.

Extract from Part II Serial No. 2 Appendix VI of the standard Vehicle Procedure

SIX MONTHLY INSPECTION AND MAINTENANCE

1. Only class I and II vehicles, both post-war and non-post-war, will be covered in the six monthly inspection schedule.

Organisation

2. The daily quota of vehicles to be inspected will be arrived at by dividing the total number of vehicles including trailers and motor cycles by the number of working days in the half year. The quota chosen will include all types of vehicles held in adequate proportion so as to make progress even and output uniform.

3. Information regarding the vehicles nominated for inspection will be received from OC Workshops, 3 days in advance of the actual inspection. Vehicles will be kept ready for inspection with the necessary auxiliaries like battery, petrol etc. available at hand.

4. Vehicles will be prepared for the road by depot staff and given a thorough inspection for road-worthiness by vehicles depot Wksps.

5. Inspection reports E-03 will be prepared at this inspection and all necessary repairs will be carried out to restore vehicles to their original classification.

Action on Defects

6. Any defects that come to light will be rectified by depot workshops. Every effort will be made to complete all repairs and return the vehicles to their respective parks. If however it is NOT possible the work on these repairs will be provided with next day. It will be borne in mind that time lag in such cases will be reduced to the barest minimum. Vehicles found to be beyond the scope of depot workshop will be appropriately downgraded by the Vehicle Depot Workshops.

7. Vehicles will, on completion of inspection, be serviced and put back into storage, after the prescribed pre-storage treatment as if they were new receipts, as laid down in Appendix II.

APPENDIX V

N. 6(68)/D (O & D).

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 4th June 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1953-54 and Audit Report, 1955—List of points on which further information to PAC was promised.*

Para 15—*Audit Report*, 1955—*Infructuous expenditure due to cancellation of demand.*

"(a) Why were the scales of annual practice allowance fixed on such high side in 1947-48?"

The scales were fixed on the high side to bring the units back to the high standard of peace time training and to rectify the weakness of inadequate training during the war time when units were not allowed facilities of range practices as available during peace time.

"(b) Why was not action taken in time to reduce or cancel the indents on the U.K. when the review carried out as on 1st October 1951, disclosed large surpluses?

What were the reasons for the interim review carried out in October 1951?"

In view of 'Emergency' conditions prevailing in the country in 1951 and thereafter, no action to cancel the demands on U.K. was undertaken. However, a proposal was made in August 1952 after completion of annual review to cancel the outstanding demands on the U.K. but was not accepted by the U.K. authorities without financial repercussions.

Provision Review in October 1951 was carried out only in respect of the U.K. War Office supply items, with a view to placing *firm* demands on the U.K. for the following financial year. Forecast demands only were placed on the U.K. as a result of April 1951 review.

"(c) Who was the officer responsible for fixing these scales on high side?"

The case was dealt by a British Officer with the approval of the then Director of Military Training. Incidentally, it is pointed out that the case was examined by all concerned at that time in General Headquarters including the Ministry of Finance (Defence).

"(d) Are there any Army Orders regarding fixation of scales and were those scales fixed in accordance with them?"

The practice scales were concurred in by the Ministry of Finance (Defence) and were published in India Army Orders on 30th July, 1947. Amendments to these scales were issued from time as and when necessary.

"(e) Why was not action taken to stop production in the Ordnance Factories at least in February 1953?

Has the responsibility been fixed in this case?"

As the annual provision review was to commence in April 1953, no action was taken in February 1953 to stop production by DGOF. However, on conclusion of the annual review, DGOF was asked to restrict production to 4,000 per month against the previous target for 15,000 per month in July 1953. In November 1953, when the foreign Government withdrew their demand for 3,69,314 stores, the question of reduction in demand was taken up immediately in the same month and eventually DGOF was instructed to discontinue production on 11th June 1954.

"(f) What were the reasons adduced by the U.K. Government in refusing to have the orders cancelled?"

The cancellation of the demand was not acceptable to the U.K. authorities as the stores in question were ready for issue and the proposed cancellation could not be effected without heavy financial repercussions.

D.A.D.S. has seen.

Joint Secretary.

APPENDIX VI

No. F.6(34)/56/D (IS)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 1st June, 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1953-54 and Audit Report, 1955.*

Para 18 of Audit Report 1955—Over indenting for stores.

Is it a fact that in the case of supply of stores for N.C.C., Orissa, a higher rate was paid to Messrs. 'B'?

No, it is not a fact that a higher rate was paid to Messrs 'B' for supplies to N.C.C., Orissa. The Orissa Government got the shoes at the same rates as the other State Governments.

2. Due to the difficulties experienced in obtaining the correct sizes of certain clothing items and shoes for the N.C.C. boys and in time from the Ordnance Depots, which usually catered for grown-up persons and who had to give a higher priority to the demands from the regular army, it was decided after discussion at a conference of State Representatives in May 1952, that special arrangements should be made by the N.C.C. Directorate, on behalf of the State Governments, to obtain supplies direct from the suppliers of certain specified items including shoes. The State Governments were given the discretion either to obtain from the Ordnance Depots if they still so desired or to obtain from the sources arranged by the N.C.C. Directorate. It was as a result of this policy decision that an arrangement was made with Messrs 'B' that on the demand of the State Governments they would supply shoes to an approved design and quality and at an agreed rate. Before the above arrangement was finalised samples were obtained from two big companies *viz.*, 'A' and 'B'. The prices quoted were Rs. 11/8 and Rs. 11/12/- per pair respectively. On examination by the Army Technical Development Organisation and the N.C.C. Directorate, the sample supplied by Messrs 'B' was found to be much better and arrangements were accordingly made with this Company.

3. No complaint was received from the Orissa Government regarding the supply from Messrs B.

4. D.A.D.S. has seen.

Has the H. & S. Factory, Kanpur got any plant to manufacture boots? If so, what is its capacity and how it is being utilised? Did it have any such plant during war-time? If so, how was it disposed of?

There is no plant for manufacture of boots in H & S Factory nor was there one during war time.

D.A.D.S. has seen.

Joint Secretary.

APPENDIX VII

No. F.24/4/56/D (Prod)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi-2, the 6th June, 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1953-54 and Audit Report, 1955—List of points on which further information to P.A.C. was promised.*

I. *Para 20—Audit Report (Defence Services), 1955.—Planning and Progressing of Orders on Ordnance Factories.*

"(a) What was the date on which the Departmental Meeting was held; where the procedure laid down in sub-para (iv) was decided?"

The procedure laid down in sub-para (iv) was formally decided upon at a meeting held in the Defence Ministry on the 8th November, 1954. Even before this date, however, a special meeting was held at Ahmednagar between the representatives of the D.G.O.F., C.D.A. (Vehicles) and the Indentors for reconsidering the demands placed on D.G.O.F. for tank spares.

"(b) Did the D.G.O.F. inform the indenting Officers concerned about the outstanding indents and confirm that their requirements of particular stores still existed?"

Important high priority items were constantly under discussion between the D.G.O.F. and the Indentors at periodic meetings of certain committees such as Inter-Services Priority Sub-Committee, Indigenous Production of Imported Stores (various Sub-Committees of the Imported Stores Screening Committee), Air Armament and Equipment Development and Manufacture Sub-Committee, Indigenous Manufacture of Naval Stores Sub-Committee. The discussions at these Committees included progress on various priority items, ordered on D.G.O.F. and naturally included the question of continued requirements of such items. As regards other items, the normal practice in the past was to send progress reports to the Indentors who could thereupon either cancel an indent or keep it alive.

Since the meeting referred to in answer to question (a) above, two detailed reviews have been carried out as a result of which Indentors have been asked either to cancel certain indents or to confirm that indents should continue.

II. *Para 21—Manufacture in Ordnance Factories for Stock purposes in excess of requirements.*

"A note stating the existing procedure followed in the Ordnance Factories in accounting the manufacturing cost of articles for 'Stock' and how later on it is adjusted against firm

orders? What check is exercised over the stock items thus manufactured and how are the Stores and Labour charges apportioned? Is there any limit on the financial powers of the D.G.O.F. in the incurring of expenditure on manufacture for stock purposes?"

It is presumed that the query refers to the control and accounting of stock components manufactured over and above the requirements against firm orders for use against subsequent orders and does not refer to stock items such as steel ingots, sawing and seasoning of timber, processing of hides *i.e.*, basic materials which have to go through intermediate processes before being utilised for actual manufacture of final/processed material.

While normally against *ad hoc* orders or non-programmed items components are manufactured as per actual requirements on order, in certain cases where a regular programme of manufacture is given by Services or where the item is known to be of a recurring nature, certain additional quantities of components/semis are manufactured over and above the actual quantity required against existing orders so that manufacture against subsequent demand can proceed without interruption or delay in obtaining additional material and further processing of components. Such stocks of components are normally retained in the Production Shops and are drawn by the finishing/assembly shop when additional orders are received. These items being manufactured against the normal manufacturing warrant as for components required against firm orders, the cost of such components bear the full labour, material and overhead charges as obtainable from time to time. If additional anticipated orders do not materialise and no indication is available that such orders would be forthcoming within a reasonable time, action is taken to take such extra components on stock-charge after which they become part of the regular stores stock. If after bringing such components on stock, orders are afterwards received, these components are drawn for further processes/assembly in which case, apart from the manufacturing cost indicated above, these components will bear a proportionate stores indirect charge as applicable at the time of drawal from stock.

The check on the excess component manufactured is exercised by normal annual verification; when these are lying in the Production Shops, these are reflected in the 'finished semis' Statement.

As regards the limit on the financial powers of D.G.O.F. in incurring expenditure on manufacture of components for stock, it is mentioned that no hard and fast rule exists in this respect. Depending on the nature of the store, depending upon how easy or difficult it is to manufacture components against subsequent orders, depending on the idea of recurring requirements indicated, the D.G.O.F. has to make an intelligent anticipation if and to the extent to which stocks of certain components have to be built against anticipated requirements.

III. *Para* 17—*Over-provisioning of Stores.*

"In respect of Stores A, B and C, the quantities produced by the Factory with the date of deliveries may kindly be given."

The figures of production of the Stores in question for the years 1950-51 to 1954-55 are given below:—

Year	A	B	C
1950-51	195,000	199,000	Nil
1951-52	113,400	212,490	,,
1952-53	102,070	140,866	,,
1953-54	95,960	45,180	,,
1954-55	59,390	1,000	,,

IV. *Para* 20—*Planning and progressing of orders placed on Ordnance Factories.*

"A note showing the number of outstanding Extracts in the Ordnance Factories relating to 1947-48, 1948-49 and 1949-50 and the reasons for the delay in the completion of those orders may be furnished. In respect of Extracts of value over Rs. 10,000 the following further details may be furnished:—

(a) the date of the order,

(b) the date when action was taken to obtain the raw material,

(c) date of arrival of the raw material, and

(d) the date when tests were carried out.

Is it necessary to insist on an economic load even in respect of manufacturing orders which entail considerable expenditure and wherein the manufacturing technique has not been established? What is the position in respect of trial orders?"

The number of outstanding extracts pertaining to 1947-48, 1948-49 and 1949-50 on 31-3-1956 was 39, 408 and 515 respectively. Other details have been called for from the D.G.O.F. Even here, it is mentioned that it will take some considerable time for D.G.O.F. to collect all the data in respect of (b), (c) and (d), since certain information will have to be collected from factories concerned and the orders involved are 962 in number.

2. In respect of the concluding part of the question, it is stated that economic load is not insisted upon when small orders against non-recurring requirements can be completed by general engineering methods, *i.e.*, without recourse to having to draw upon the already limited facilities in drawing office (for design of elaborate tools/gauges etc.) and tool room (for manufacture of tools/gauges etc.). This aspect has necessarily to be considered when pre-production effort in equipment design and equipment manufacture is out of all proportion to the actual load which the order gives in terms of effective utilization of labour/machines. In this context, the economics of load are not worked so much in terms of absolute cost as drawing office and tool room capacity for other priority items required in comparatively large quantities to give adequate labour and machine load in relation to the capacity and time utilized in pre-production work.

3. There is another aspect of this question, that is, as to whether a new item cannot be established against a small trial order before accepting a bulk order. This is not always desirable for the following reasons:—

(a) If manufacture is established against a small order by general engineering methods, this fact by itself does not help us in subsequent bulk orders which will need design and manufacture of elaborate tools, jigs, fixtures, gauges etc. corresponding delay in provisioning additional materials.

(b) Even if a small order is executed on a proper layout, *e.g.*, elaborate tooling etc. with a correspondingly heavy tooling charge, subsequent manufacture against bulk orders has to wait receipt of additional materials.

4. It is mentioned that initial time taken for commencement of supply of materials for large orders when materials have to be made available by fresh production or by import is normally about the same as for supply of materials for small orders. When manufacture of a new item is assessed to be reasonably within the capacity of Ordnance Factories and where the requirements are known to be recurring, it has been the practice to plan manufactures against large orders with proper tooling so that once manufacture is established it can continue without having again to wait for tools etc. and materials. We feel that the above planning and production procedure is really sound in practice, but even under the best of the circumstances, delays such as have occurred and will occur in future in some cases in establishing new items due to late receipt of materials or unforeseen production difficulties cannot altogether be avoided.

5. Where, however, we have reason to apprehend considerable production difficulties or that the capacity in Ordnance Factories may not prove to be quite suitable for the job, manufacture or development is undertaken against small trial orders.

J.S.(O) has seen and approved.

D.A.D.S. has seen.

Director (Production).

APPENDIX VIII

No. F.6(69)/D(O&D).
GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
New Delhi, the 4th June, 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1953-54 and Audit Report, 1955—List of points on which further information to P.A.C. was promised.*

Para 25—Audit Report, 1955—Stock verification in Army units and formations (other than factories).

"(a) A note stating the latest position about the verification of stock carried out in these two depots and also the steps taken to reconcile the discrepancies. The money value of the surpluses and deficiencies may be indicated.

The position as regards stock verification in respect of these two Depots during the stock-taking cycles 1954-55 and 1955-56 ending on 31st March, 1955 and 31st March, 1956 respectively is given below:—

	First Depot		Second Depot	
	1954-55	1955-56	1954-55	1955-56
No. of items stocked	23,943	23,082	1,77,934	1,55,600
No. of item verified	23,942	23,082	1,77,934	1,55,600
No. of items found discrepant	2,076	414	17,556	11,363
Percentage of discrepancies	8.7%	1.8%	9.8%	7.3%

2. From the comparative statement given below showing the percentage of discrepancies revealed during the past three years, it will be seen that there is an improvement during 1955-56 stock-taking cycle as compared to that of stock-taking cycles 1953-54 and 1954-55.

Depot	1953-54	1954-55	1955-56
First Depot	15.0%	8.7%	1.8%
Second Depot	19.7%	9.8%	7.3%

3. All discrepancies revealed during stock-taking are being investigated and adjusted in accordance with current instructions.

The monetary value of surpluses and deficiencies for the stock-taking cycle 1954-55 in respect of the First Depot is as under:—

First Depot	1954-55
Surpluses	70,893
Deficiencies	161,677
Total	232,570

The monetary value of surpluses/deficiencies in respect of the Second Depot is not available as 4,000 items are still under reconciliation.

4. The monetary value of surpluses and deficiencies revealed as a result of stock-taking in 1955-56 is not yet available.

"(b) A note stating the reasons how soon after Reorganisation scheme large discrepancies came to be noticed in the case of these two depots specially the second depot where the number is fairly large."

Stock-taking in respect of re-organised items was a continuous process during the years 1951-54, *i.e.*, the items re-organised during 1950-51 were checked during the stock-taking cycle 1951-52 and the items re-organised during 1951-52 were checked during the stock-taking cycle 1952-53 and those re-organised during 1952-53 were checked in 1953-54. In the case of the second depot where reorganisation was completed in December 1952, some of the items reorganised during the last lap of reorganisation were checked for the first time during the stock-taking cycle 1953-54 and this mainly accounts for the heavy surpluses/deficiencies. Incidentally it may also be pointed out that the figures of 35,30,658 and 31,89,612 given in the Audit Report also included the value of items which are adjustable against one another under rules and where there is no real loss involved. In order to appreciate the actual position, the split up of the amount of surpluses and deficiencies under the 2 categories of reorganised items/and other than reorganised items is given below:—

Statement showing net surpluses/deficiencies in the Second Depot during 1953-54 stock-taking cycle.

	Surpluses	Deficiencies
	(in rupees)	(in rupees)
Total surpluses/deficiencies	35,30,657	31,89,611
Less first stock-taking after re-organisation	18,87,435	16,04,687
Less off-setting surpluses/deficiencies	11,75,867	12,62,782
Therefore net surpluses/deficiencies	4,67,355	3,22,142

The above position was not made clear to Audit earlier. The figures given above have, however, been checked by the Local Audit Officers of the Defence Accounts Department.

D.A.D.S. has seen.

Joint Secretary.

APPENDIX IX

No. 5(3)/55/D(N-I)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 29th May, 1956

SUBJECT:—*Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1953-54 and Audit Report, 1955—List of points on which further information to P.A.C. was promised.*

Para. 27—Audit Report, 1955—Disposal of blankets.

"What action has been taken to avoid such cases of hasty discards? What action is proposed to be taken or has been taken against the Naval Stores Officer in this case?"

Instructions have been issued to the administrative authorities to ensure that the lists of surpluses are forwarded to the Naval Headquarters for scrutiny and approval before surplus reports are raised. This will obviate the recurrence of cases of this nature in future. A copy of the instructions issued is enclosed. (*See* Annexure A).

2. Disciplinary proceedings against the officers concerned have already been initiated and the results will be communicated to the Lok Sabha Secretariat in due course, for the information of the P.A.C.

3. D.A.D.S. has seen.

Joint Secretary.

ANNEXURE 'A'

COPY OF NAVAL HEADQUARTERS LETTER No. SP/0309, DATED 31ST JANUARY, 1956.

DECLARATION OF SURPLUS NAVAL STORES.

I am directed to forward herewith copies of the following correspondence for the guidance of the Store Depots under your control while declaring surplus stores for disposal:—

(a) Ministry of Defence U.O. No. 73(57)/55/D(O&D) of 27th September, 1955. (Annexure B)

(b) Ministry of Defence U.O. No. 2676/D(O&D) of 5th March, 1955. (Annexure C)

(c) Ministry of Defence U.O. No. 73(57)-55/D(O&D) of 14th March, 1955. (Annexure D)

2. I am to state that particular attention to the following points is necessary before the surplus reports are raised:—

(a) The quantities proposed to be declared surplus should be scrutinised and approved personally by the officer in charge of the Store Depot.

(b) Lists of stores which are found to be surplus are to be referred by N.S.O. (B) to the professional officers of the Dockyard and confirmation obtained that there are no possible alternative uses for the stores, taking into consideration the storage life of the items.

(c) Lists of surplus stores arrived at after action as at (b) irrespective of value should be forwarded to Naval Headquarters for scrutiny and approval before the surplus reports are raised. In cases where the stores are likely to be required by the other Services, four copies of the lists with complete details should be forwarded for ascertaining their requirements, if any.

(d) Withdrawals from surpluses once declared, can be made only with the prior concurrence of the D.A.F.A.(N) and in consultation with the D.G.S.&D. Where contractual obligations have already been entered into by the D.G.S.&D., withdrawals may not be possible.

(e) All cases where freezing orders are to be issued on the disposal of stores, are to be referred to Naval Headquarters.

3. I am to request that receipt of this letter may be acknowledged.

By Order of
The Chief of the Naval Staff
Sd./- B. SINGH.

ANNEXURE 'B'

COPY OF MINISTRY OF DEFENCE LETTER No. M OF D.U.O. No. 73(57)/55/D(O&D), DATED THE 27TH SEPTEMBER, 1955.

MINISTRY OF DEFENCE—D(O & D)

SUBJECT:—*Transmission of D.G.D. Surplus Reports to the D.G.S.&D.*

In accordance with a decision taken in the 4th meeting of the Surplus Stores Committee held on the 28th December, 1948, the declaration of Surpluses to the D.G.S.&D. are being routed through the Ministry of Defence. Similarly freezing orders on the disposal of stores and withdrawals of stores from the surpluses already declared are also to be routed through the Ministry of Defence. This work is at present being done by Section D.(O.&D.). It has now been decided that in future declaration of surpluses to the D.G.S.&D. and also issue of freezing orders, withdrawals, etc., should be forwarded to the D.G.S.&D. by the administrative sections concerned with respective Service HQs/Branches/D.G.O.F., etc. Section D(O.&D.), which is concerned with M.G.O. Branch, will deal with surplus reports, freezing orders, withdrawals relating to that Branch only. Service HQs/Branches may, therefore, forward proposals for declaration of surpluses, surplus reports, etc., to their respective administrative sections for necessary action. All policy matters in connection with the disposal of surplus Defence stores will, however, continue to be handled by Section D.(O.&D.) as hitherto and copies of all general circulars issued in this connection will be forwarded to all concerned as in the past. Individual cases or disposal will be dealt with by the administrative section concerned in the light of the general procedure/policy laid down.

2. Attention in this connection is invited to the instructions contained in J.S.(O)'s note, dated 5-3-1955, circulated *vide* u.o. No. 2676-D. (O. & D.), dated 5-3-1955 and instructions contained in u.o. No. F.73(57)/55/D.(O.&D.), dated 14-3-1955 (copies enclosed for ready reference). Accordingly, all proposals for disposal of surplus stores the value of which is Rs. 5 lakhs or more are to be submitted to the Minister for approval, before the D.G.D. forms are forwarded to the D.G.S.&D. The proposals for disposal of stores value of which is over Rs. 1 lakh but less than Rs. 5 lakhs are normally put up to the D.S./J.S. for approval, before the surplus reports are forwarded to the D.G.S.&D. All surplus reports are forwarded to the D.G.S.&D. through the C.L.O. (Disposals).

ANNEXURE 'C'

COPY OF MINISTRY OF DEFENCE LETTER No. M. OF D. U.O. No. 2676|D (O&D) DATED THE 5TH MARCH, 1955.

SUBJECT:—*Procurement of Stores and Disposals.*

Under instructions in force in the Ministry proposals for the purchase of any stores or the disposal of any stores, the value of which is Rs. 5 lakhs or more have to be submitted to the Minister for approval. Where the Finance Ministry has to be consulted, such proposals have to be submitted at least up to the Financial Adviser for approval. It has been observed that in a few cases such proposals have come to the Ministry from the Service Headquarters at the level of G.S.O. I or G.S.O. II. As considerable importance is attached by the Minister of Defence Organisation to adequate scrutiny in cases of purchases or proposals of the value of Rs. 5 lakhs or above, it is desired that such cases should be seen by the P.S.O. concerned in the Service Headquarters before they are passed on to the Ministry. It is requested that necessary action to ensure this may kindly be taken.

ANNEXURE 'D'

COPY OF MINISTRY OF DEFENCE LETTER No. M. OF D. U.O. No. F.73(57)/55/D(O&D), DATED 14-3-1955.

On a proposal for the disposal of surplus store, it has been observed by the Deputy Defence Minister (2) that information usually furnished with such proposals is scanty and that it is difficult to make out much from the nomenclatures given or the abbreviations used. It is desired that in future proposals should give more details accompanied by a categorical statement by a senior officer about their being surplus to requirements and incapable of being put to alternative uses either by the Army or other Defence establishments.

2. The proposals should be submitted through the Administrative Section concerned, who will be responsible for obtaining approval of D.D.M., wherever necessary, before the surplus reports are forwarded to Section D(O&D) for transmission to the DGS&D.

APPENDIX X

MINISTRY OF WORKS, HOUSING & SUPPLY

Note for the Public Accounts Committee giving further information in respect of para. 30 of the Audit Report—Defence Services, 1955.

(i) The date on which the reference was made by the Administrative Ministry to the Finance and the reasons therefor;

(ii) Who referred the matter to the Special Solicitor;

(iii) What were the points referred to the Special Solicitor; and

(iv) A copy of the Special Solicitor's opinion.

The Directorate General of Supplies and Disposals referred the case to their accredited Finance on 3-5-1949 on receipt of two communications from the firm, dated 10-3-1949 and 24-3-1949, in both of which the firm had asked for reimbursement of sales tax. The D.G.,S.&D., sought the concurrence of their Finance for such reimbursement. Their accredited Finance in their note, dated 5-5-1949 accepted the recommendation and recorded as follows:—

"Regarding the A/T No. S.V.I/85190/136 for 1,900 jeeps, the case is quite simple. Their quotation did stipulate sales tax as extra and they protested when the A/T was placed without any mention of sales tax. Action should have been taken even on the receipt of their letter at page 38/C to incorporate that clause in the A/T. So sales tax on this order is payable.

2. Regarding the A/T.S.Y.I/82507/48 for supply of 1,000 jeeps, no doubt, neither the offer nor the A/T is quite clear on this point. However, the D.S. (S), who was present during the negotiations quite well remembers that in arriving at the final price, no provision was made for the element of sales tax. The breakdown of price, it seems was produced during the discussions and inasmuch as no element on account of sales tax was included in the build-up of prices; the firm is justified in their claim to be reimbursed this tax. (Further, this is obvious also from the fact that the prices paid for the subsequent two orders *viz.*, 1,900 jeeps and 190 jeeps were the same as for the first order of thousand jeeps.)"

The D.G.,S.&D. then forwarded the proposal to the then Ministry of Industry and Supply on 25-5-1949, who were the authority competent to pass final orders on this reference because of the value of the contracts involved. The Ministry supported the recommendation and referred the matter to their accredited Finance who suggested that a reference may be made to obtain the opinion of the Special Solicitor in the following terms:—

"The proposal amounts to a variation in the terms of the contract. The Special Solicitor may please be consulted and his opinion on this aspect of the case obtained."

The Assistant Director (Law) working under the Special Solicitor Department's Legal Adviser, dealt with this case and has recorded the following note:—

"We placed two A/Ts—one for 1,000 jeeps and the other for 1,900 jeeps. For reference sake, the A/T about 1,000 jeeps will be hereinafter referred as the first A/T and the A/T about 1,900 jeeps as the second A/T.

The question for consideration is as to whether the firm is entitled to claim sale tax which is evidently payable by them to the Bombay Government. This item of sale tax on both these A/Ts comes to Rs. 5 to 6 lakhs.

As to the first A/T, neither the tender of the firm nor the A/T itself contain any clause for the payment of sale tax by us. The A/T was accepted by the firm without any demur, as per acknowledgment on form WSB 141, and I am, therefore, of the opinion that the firm has no tenable claim to claim any sale tax from us. This may be repudiated.

Regarding the second A/T, the tender of the firm contained a clause that the sale tax, if payable, would be to the account of the purchaser. Negotiations, however, followed after that. Some settlement took place, and ultimately, the A/T in question was sent to the firm. This A/T did not contain any clause about the payment of sale tax. This appears to have been accepted by the firm, *vide* acknowledgment form WSB 141, at page 32/C. The relevant portion is 'The Work will be taken *in hand in terms thereof*'. It, therefore, appears to me quite clear that the terms of the A/T became binding on this firm in the face of their acceptance of these terms, and agreeing to supply the store according to the terms of this A/T. As this A/T does not contain any clause as to the payment of sale tax by the purchaser, the firm has no claim.

Some case has been made out by Purchase and Finance about the payment of sale tax on the ground that it was so mentioned in the tender. I do not know what actually took place between the Finance Purchase and this firm at the time of negotiations. I can, however, presume from the absence of any clause in the A/T about the sale tax as an indication of the fact that the price offered for the 1,900 jeeps was the same as was the price, per jeep, of the first A/T about 1,000 jeeps, and as in that A/T and the tender there was no reference to the payment of sales tax, it would evidently be quite contradictory if a sales tax clause had been inserted in the present A/T. Whatever be the reasons for the omission of this sales tax clause in the A/T, the position remains the same that this A/T, without the sales tax clause, has been accepted by the firm, and, therefore, the firm stands committed to it.

I may also point out that in deciding the rights and liabilities of the parties under a contract, like the one in dispute, we are only concerned with the interpretation of the various clauses of the A/T. As to what actually was the intention of the party, while issuing the A/T or accepting it, will not be relevant and, in fact, evidence on that point will not be admissible.

The firm subsequently wanted to riggle out of this A/T, and in their letter at page 38/C, again acknowledged the A/T, though the same had been previously acknowledged by their acknowledgment slip at page 32/C, and asserted that the sale tax clause should be inserted. We ought to have specifically repudiated this claim, but instead we wrote letters at pages 44 and 52/C, intimating that the matter is under consideration. This, however, is no commitment on our part, and we can at this stage say that it has been considered and the Government regrets its inability to agree to the payment of sales tax.

Another point that goes against the firm in this case is that in spite of their letter at page 38/C, the firm delivered the store, without reserving the right to recover the sales tax from us, or even agitating this matter at a later stage. I can well imagine the silence of the firm on the ground that the firm was pressing for another claim of enhanced freight charges, and it appears that they wanted a settlement of that and then to raise this point.

In view of what I have said above, I agree with the above note and that it would be varying the terms of the A/T if we agree to amend it so as to undertake the payment of sale tax by us. The law is that sale tax is payable by the dealer and not by the purchaser unless it is so specifically mentioned as one of the terms of the contract, which is wanting in both the A/Ts."

As the legal opinion was not in favour of making any payment, no action was taken on these communications from the firm. Subsequently, however, the firm's representatives apparently made verbal representations which were followed up by their communications, dated 29th and 30th July, 1949, reminding the D.G.S.&D. about their claim. In the light of this representation the D.G.S.&D. took up the matter further with their accredited Finance who in turn referred the case to the Finance accredited to the Industry and Supply Ministry proper, as the matter had previously been seen by that Finance on 5-8-1949. It was on this occasion that the Deputy Secretary, Finance accredited to the D.G.S.&D. recorded the final note, dated the 17th September, 1949, after discussion with Joint Secretary (Finance) attached to the Industry and Supply Ministry.

The following further extracts of noting on the file would explain the position:—

"D.S. (S) feels that it would have been happier if (Under Secretary Finance) had referred the case to him before making a reference to the Special Solicitor in view of the fact

that my note on page 81 ante clearly mentions in paragraph 2 that D.S.(S) has been convinced of the reasonableness of the claim of.....

Technically and legally speaking, the A.D. Law might be correct. But this technical view could be taken only if the contract had been placed as a result of quotations received against the tender. In this particular case, the rates have been fixed after a negotiation and as much as the Sales Tax element was not considered at the time of negotiation, the firm is justified in asking for a re-imbursement of the Sales Tax paid by them to the Bombay Government in this transaction. It is, therefore, still felt that ..... should be re-imbursed the Sales Tax as recommended by D.G. (I. & S.) and agreed to after discussion with D.S.(S) in my note, dated 5-5-1949 on page 81 ante. In case Main Group is still in doubt D.S.(S) desires that this file be put up to J.S.(S) before taking any further action.

Sd./-
D.A.F.A.
4-8-1949.

"Joint Secretary, Ministry of Finance (I. & C. Divn.) handed over this file to me. He agrees that, in equity, the claim appears to be reasonable. However, he desired an investigation to be made whether payment of sales tax to.....would embarrass us in our stand in the matter of payment of the Bengal Sales-Tax for the period of 1946—49. He suggested that I should satisfy myself, in consultation with the Special Solicitor whether any such embarrassment would be caused. The Special Solicitor has been consulted on a separate file and I am satisfied with his finding that payment of sales tax to.....on grounds of equity, will not be a precedent in regard to the claims arising from West Bengal. I, therefore, reiterate my earlier agreement to the payment of sales tax to ..... against both the acceptances of tender on grounds of equity.

The papers may now be submitted to the Ministry of Industry and Supply with any remarks the D.G. (I. & S.) may wish to make."

Sd./-
Deputy Secretary (Finance)
17-9-1948.

APPENDIX XI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note for the Public Accounts Committee giving further information in respect of para 30 of the Audit Report Defence Services, 1955.

The following comments have been offered by Audit on the note submitted by this Ministry to the Lok Sabha Secretariat in advance on 8-6-55:—

(a) It has not been possible to locate the firm's letter, dated 10-3-49, referred to in the first sentence of the Note. There is a letter, dated 3-3-49. If the former date is a typing mistake, it would need to be corrected.

(b) It has been stated on page 3 of the Note that the Ministry reopened the question of payment of sales tax apparently on verbal representations made by the firm which were followed by their communications, dated 29th and 30th July, 1949. The letter of 29th July, 1949 is not relevant to the issue under discussion, as it relates to the payment of surcharge on freight. There is nothing in the various files sent to Audit to show that the firm had made any verbal representations. Even in their letter of the 30th July, 1949, the firm did not make any mention of any verbal representations on this question. It appears from the files that after the Assistant Director (Law) had recorded his opinion on 20th June, 1949, an Assistant of the Director General of Supplies and Disposals re-opened the question about this payment *suo moto* in his note, dated 16-7-1949 *i.e.* a fortnight before the firm had made any representation. Even this note does not state that the firm had made any verbal representation.

(c) The Note only states that as the legal opinion was not in favour of making any payment of sales tax, no action was taken on the firm's communications, dated the 3rd March, 1949 and 24-3-49. It does not make it clear as to why the firm was not informed immediately after legal opinion had been obtained that sales tax was not payable.

2. The following remarks are offered on the above points *seriatim*:—

(a) That the date of the firm's letter shown as 10-3-49 is a typographical error and should read 3-3-49.

(b) Whilst the letter of 29th July, 1949 is not relevant to the issue as it relates only to the payment of surcharge on freight, the question of reimbursement of Sales Tax has been raised in their letter of the 30th July, 1949.

(c) That the fact that no communication was sent to the firm in reply to their letters dated 3-3-49 and 24-3-49 that the Sales Tax was not payable on the basis of the legal opinion obtained is not surprising as considering the conditions of work of D.G.S.&D. then prevalent, the issue of formal reply after obtaining the opinion of Assistant Director (Law) on 20th June, 1949 would have normally taken well over three weeks. This fact would further substantiate that the firm's permanent representative in Delhi must have made representations to the D.G.S.&D. as a result of which the case was reopened by the Assistant, presumably on the orders of his officer, in his note dated the 16th July, 1949, even though, this fact may not have been mentioned specifically in either the noting or in the correspondence from the firm dated the 30th July, 1949.

NEW DELHI
20.6.56

Secretary to the Govt. of India.

APPENDIX XII

MINISTRY OF DEFENCE

Note from the Ministry of Defence re: *item No. 2 of the *Statement of outstanding recommendations—Periodical verification of cash balances with the Imprest Holders (para 57 of the Ninth Report of the P.A.C.)*

"The Local Audit Officers of the Defence Accounts Department should also carry out surprise checks of cash with the Imprest Holders and the Defence authorities should render them all necessary facilities to carry out such checks".

The recommendation has been carefully examined in consultation with the Ministry of Finance (Defence) and the Controller General of Defence Accounts. Our view is that the responsibility for the verification of cash with imprest holders should rest fully and squarely on the administrative authorities rather than on the audit authorities. It is understood that, on the civil side also a similar view prevails. No surprise check of cash balance is done on that side and even ordinary check of cash balance during the course of audit is discouraged.

2. We have in the past few years issued various instructions to avoid the possibility of loss of public money entrusted to the imprest holders. These instructions require that:—

(a) Imprest holders should not normally be allowed to retain cash in excess of the actual requirement for a period of 10 days, apart from what is required for disbursement of pay and allowances. In other words, except during the first week of a month, they cannot retain any amount exceeding 1/3rd of the Imprest.

(b) Cash balances of public and regimental funds, when kept in the same treasure chest, should be kept separately and separate cash accounts are to be maintained for each.

(c) At the end of each quarter, the Officer Commanding Station is to convene a Station Audit Board consisting of three senior officers of different units, or such less number as the Area Commander may direct, to check all public money.

(d) Surprise checks of cash balances should be carried out by senior administrative authorities.

The procedure now in force is regarded as satisfactory and it is felt that an adequate trial should be given to it before considering further changes.

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*Appendix I of Vol. I—Report.

3. The Controller General of Defence Accounts has examined the administrative and financial implication of the measures that would have to be adopted if his Department were to carry out surprise checks on Imprest Cash balances. His views are summarised below:—

(i) It is very difficult to ensure a strictly surprise check by the Local Audit Officer. If his programme is advertised beforehand, even by so much as an hour, the element of surprise disappears correspondingly.

(ii) The moves undertaken in pursuance of surprise checks of cash will interfere with the normal programme of inspection and review which receives advance concurrence of the Controllers. Alternatively, if such moves are also to be provided for in the programme, there is no element of surprise. Besides, surprise checks may have to be conducted according to exigencies of particular situations and it would be impracticable to provide them in the normal programme.

(iii) Assuming that the surprise check of cash balances will have to be carried out once a year, it will be necessary to substantially augment the cadre of the Local Audit Officers. Besides an increase in the complement, considerable extra expenditure on travelling allowances will also have to be incurred.

The Controller General of Defence Accounts is of the opinion that judging by the extent of fraud in cash accounts disclosed during the last few years and the checks exercised by the administrative authorities and having regard to the administrative and financial implications of the proposal, as detailed above, it does not seem really necessary to superimpose audit check on cash balances, as recommended by the Public Accounts Committee.

Ministry of Finance (Defence) also agree with the views of the Controller General of Defence Accounts.

4. In the light of the position explained in the foregoing paras, it is requested that the Committee may reconsider their recommendation.

5. This note has been seen by the Controller General of Defence Accounts, the Financial Adviser and the Director of Audit, Defence Services.

Joint Secretary.

2nd September, 1955.

APPENDIX XIII

MINISTRY OF DEFENCE

*Note from the Ministry of Defence re: item No. 3 of the *statement of outstanding recommendations—Losses of cash etc. (para 58 of the Ninth Report of the P.A.C.)*

"The Ministry of Defence should examine the adequacy of the various internal checks including checks by the Defence Accounts Department on the cash accounts in consultation with the Controller-General of Defence Accounts, the Ministry of Finance (Defence) and Comptroller and Auditor-General and suggest improvements, if any".

1. The following steps have been taken to ensure adequate checks of the cash accounts of units and to avoid losses of public money:—

(a) The maximum amount of cash balance that can normally be held at any time by an Imprest Holder is to be fixed by Brigade or equivalent Commander in consultation with the Defence Accounts authorities.

(b) The amount in hand of an Imprest Holder is to be restricted by the sanctioning authority to actual and immediate requirements and is not normally to exceed 10 days' requirements. Cash for payment of normal pay and allowances in the first week of a month is to be obtained on as required basis.

(c) Use of Emergency Cash Requisitions is to be restricted only to very exceptional and emergent cases.

(d) Cash balances of public and regimental funds, when kept in the same treasure chest, are to be kept separately and separate cash accounts are to be maintained for each.

(e) At the end of each quarter, the Officer Commanding Station is to convene a Station Audit Board consisting of three senior officers of different units, or such less number as the Area Commander may direct, to check all public accounts, including imprest and cash balances.

(f) Officers commanding units/formations, Heads of offices and Inspecting Officers are to conduct surprise checks of cash balances. This is also to be done by senior officers.

2. Local Audit Officers of the Defence Accounts Department already carry out periodical checks of cash accounts and have also got discretionary power to check cash balances whenever they find

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*Appendix I of Vol. I—Report.

the accounts to be unsatisfactory and feel the necessity for such a check. The question whether it is necessary to introduce any further measures of check by the administrative and/or Defence Accounts authorities has been considered in consultation with the Ministry of Finance (Defence), Controller General of Defence Accounts and the Director of Audit, Defence Services. It is felt that the existing procedure is satisfactory and that the cases of fraud, financial irregularities, loss, etc. that occur are more due to failure in the human machinery rather than any defect in the system. To further tighten up the efficacy of the check of cash balances by the Defence Accounts Department, the Controller General of Defence Accounts, however, is issuing general instructions that the discretionary power of the Local Audit Officers to check balances should invariably be exercised whenever they are found to be heavy.

3. This note has been seen by the Controller General of Defence Accounts, the Financial Adviser and the Comptroller and Auditor-General.

Joint Secretary.

13*th August*, 1955.

APPENDIX XIV

No. 47(3)/55/12063/D (FY)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

OFFICE MEMORANDUM

SUBJECT:—*Serial No. 26 of Appendix I to the Fourteenth Report of the Public Accounts Committee on the Appropriation Accounts (Defence Services) 1951-52 and 1952-53. (Item 5 of the *statement of outstanding recommendations—Alleged unfinished M.E.S. Works in a factory).*

The Board of officers which examined the discrepancy in the Block Register of the Factory submitted its report on 27-7-54. In order to have a correct appreciation of various debits raised against the project, the Board arranged a census of all the buildings on site comprising the project and evaluated them on the basis of the rates prevailing during the period when they were constructed. As a result of the investigations by the Board, it was revealed that the total debits raised against the project amounted to Rs. 2,02,34,967 which included a sum of Rs. 79,90,159 consisting of completion cost of R.A.F. works debited to the project (Rs. 56,70,714) and Departmental charges added by Small Arms Factory ..... (Rs. 23,19,445). The Board considered that this amount should not form part of the total cost of the project. The Board was in a position to verify the physical existence of the buildings constructed against the project, but the accommodation built for Air Force was not in existence as it was demolished to make room for the construction of permanent accommodation for Factory personnel. The cost of the individual buildings existing on the site, as reassessed by the Board, came to Rs. 1,22,44,808. The Board, therefore, felt that there was no point in pursuing the matter any further and recommended that the Block Register of the Factory should be amended and completed accordingly. The findings and recommendations of the Board were accepted by Government and the Block Register of the Factory is being amended accordingly.

2. This note has been concurred in by the D.A.D.S.

Joint Secretary to the Govt. of India.

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APPENDIX XV

MINISTRY OF FINANCE (DEFENCE)

(BUDGET)

*Note from the Ministry of Finance (Defence) re: Item No. 6 of the *Statement of outstanding recommendations—Remittance Account. (para 73 of the Ninth Report of the P.A.C.)*

"The High Commissioner of India in London should be asked to pursue the question of early settlement of outstanding claims against the U.K. Government which amounted to £ 3,788,100 at the end of March, 1953 at high level with the War Office as any further delay is likely to complicate matters".

This item figured as item 51 of the Appendix to the Ninth Report of the P.A.C. on Appropriation Accounts (Defence Services) 1949-50 & 1950-51. A note on the subject was submitted to the P.A.C. which appears as Appendix XV to their 14th Report. The present position of the two items of £ 2,558,000 (Sea Freight & Shipping Charges) & £ 561,800 (Other claims of Miscellaneous nature) comprising the sum of £ 3,119,800 shown as outstanding therein is as under:—

(i) *Sea freight & shipping charges*—£ 2,558,000.

A sum of £ 915,000 on this account has been recovered from the U.K. Government and a sum of £127,500 has been withdrawn as this portion of the claim is either not the liability of the U.K. Government or the charges therefor, have already been recovered from the U.K. Government through separate adjustments. A claim for the balance (except for a few thousands of rupees) has largely been documented on the lines prescribed by the U.K. Government and has been sent to the High Commission, London for preferring a claim against the War Office and other concerned departments of Her Majesty's Government. Our High Commission, London has been suitably briefed to conduct negotiations with the U.K. Government at a suitably high level to ensure expeditious settlement of this portion of the claim.

(ii) *Claims of Miscellaneous nature*—£ 561,800.

The amount outstanding to the end of November 1955 was reported to be £ 131,321. Further clearance of £ 36,155 has subsequently been reported which is yet to be verified by the Audit. The position is being watched and clearance effected from time to time will be intimated to the Public Accounts Committee in due course.

2. This report has been seen by the Director of Audit, Defence Services.

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APPENDIX XVI

*Copy of the Ministry of Defence U.O. No. F. 79(8)/55/1285/D (O & D), dated the 15th February, 1956 addressed to Service Headquarters re: Item No. 11 (i) of the *Statement of outstanding recommendations—Stores Accounting and Stock verification.*

SUBJECT:—*Stores Accounting and stock verification.*

Instructions already exist for the proper maintenance of stores accounts and the importance of annual stock verification. While Government have noted that the position in this regard is steadily improving, they consider that there is scope for further improvement. They desire the Service Headquarters to re-emphasise to all stock-holding Units the importance Government attach to the strict observance of the orders and instructions on the subject. Any cases where the orders and instructions could not be followed should be examined to see whether the non-observance was due to causes beyond control or to negligence. Where the latter is shown to be the case serious notice of the lapse will be taken. Any shortcomings or defects in procedure revealed by the review should be set right.

A copy of the instructions issued to the various authorities in pursuance of the above may be endorsed to the Ministry. The Ministry should also be kept informed from time to time of the result of the review undertaken by the Service Headquarters of the state of maintenance of stock accounts and stock verification by Units.

*Appendix I of Vol. I—Report.

APPENDIX XVII

Copy of the Ministry of Defence U.O. No. F. 79(8)/55/1286/D/(O & D), dated the 15th February, 1956 addressed to Service Headquarters re: Item No. 11 (ii) of the Statement of outstanding recommendations—Provision Review and holding of surplus stores by Depots.*

SUBJECT:—*Provision Review and holding of surplus stores by Depots.*

Government are aware that periodic reviews of stocks held in various Depots are carried out at the time of provision reviews, with a view to placing fresh orders for stores of which there is a shortage. It is equally important that where large surpluses of any item are revealed as a result of these reviews, the question of disposal of the surpluses should be examined with a view to liquidation of the stocks, thereby reducing the locking up of unnecessary capital and at the same time freeing storage space for the stocking of currently required stores. This review of surpluses should be carried out not only in regard to obsolete or obsolescent stores but also of all current stores. It is also essential that timely action is taken to cancel outstanding demands for items where surpluses are revealed. Government are aware that this is already being done to a certain extent, but they would like it to be carried out in a more systematic manner in future.

The attention of all concerned may be drawn to the above. A copy of the instructions issued on the subject may be endorsed to the Ministry.

*Appendix I of Vol. I—Report.

APPENDIX XVIII

Copy of the Ministry of Defence Memorandum No. F.1(11)/54/1051-D (*E & Qtg.*), *dated* 10-3-1955 *addressed to Service Headquarters* re: *item No.* 15 *of the Statement* of outstanding recommendations.*

SUBJECT:—*Procedure for Progressing Action on Works Projects.*

In continuation of the decision reached at the Inter Services Works Priority Committee held on the 11th November, 1954 [*vide* para 7 of the minutes issued with this Ministry's Memo. No. F. 6/54/1121-S/D(Coord), dated the 18th November, 1954], and with a view to reducing the increasing rate of surrenders each year on work projects, the following procedure is laid down to give the Engineer-in-Chief adequate time to implement sanctioned projects before the close of each financial year. In accordance with the pre-war position, administrative approvals were issued two years in advance in respect of projects ear-marked for execution in a particular year. The position today is most unsatisfactory in so far as administrative approvals in some cases have not yet issued in respect of projects to be undertaken in 1955-56. Defence Secretary had fixed the 15th December 1954 as the target date for Service HQ to finalise their works projects but E-in-C has not yet had necessary sanction for certain projects though the Services are still pressing for their inclusion in the programme for the ensuing financial year. It is necessary to aim at the pre-war target of two years notice to the E-in-C in respect of each project, and, to achieve the same, it is essential for each Service to strictly adhere to the procedure set out below:—

Time Schedule for the progressing of Works Projects.

2. (i) In the first instance, administrative approvals must be given approximately five months in advance of the ensuing financial year. Thus the target date for projects to be included in the works programme for 1956-57 should be 30th November, 1955. The intention is to extend this advance notice year by year until the target of two years is reached. Thus for the year 1958-59 the target date will be 30th September, 1957.

(ii) In order that the target date of 30-11-55 may be adhered to, the following time schedule should be strictly observed by all concerned.

31-5-55.—All projects to be included in the works programme for 1956-57 and which require DFC's sanction involving expenditure of Rs. 10 lacs, should be sent to Finance Ministry by this date;

30-6-55.—All projects to be included in the works programme for 1956-57 but which do not require DFC's sanction should be sent to Finance Ministry for scrutiny by this date;

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15-8-55.—The progress achieved on projects requiring DFC's sanction and submitted to Finance Ministry by 31-5-55 will be reviewed by 15-8-55 in a meeting to be held by the Defence Ministry under the Chairmanship of the Joint Secretary concerned.

3. Later in the course of the same month, *i.e.* August, 1955 projects which have been submitted by 30-6-55 but which do not require DFC's sanction, will be reviewed by the Defence Ministry in a meeting to be held under the Chairmanship of the Deputy Secretary concerned. Fair copies of all statements of case for submission to the DFC should be submitted to Finance Ministry by this date.

4. It is necessary to warn Service Headquarters that they must adhere to these dates as no relaxation or exception for any reason whatsoever will be permitted in future.

*APPENDIX XIX

MINISTRY OF DEFENCE

Note re: *Purchase of Jeeps and Defence Stores in Foreign Countries referred to in paras* 16—21 *of the Fourteenth Report of the P.A.C.*

In Chapter V of their 14th Report, the Public Accounts Committee have referred to certain transactions connected with the purchase of defence stores abroad. The same matters had formed the subject of comment in the Committee's 9th Report in which, among other things, the Committee had made a recommendation that the extent of individual responsibility in all these transactions should be assessed by a high level committee consisting of one or two High Court Judges. The Government after having very carefully considered these recommendations submitted a †note to the Public Accounts Committee on 18-12-54 in which they had very clearly explained the reason why they were unable to accept these recommendations. In this note, the Government had stated that, in view of the circumstances and the importance that these matters had assumed, they had, long before the Public Accounts Committee submitted its 9th Report, enquired into these matters at the highest level, and come to the conclusion that though there were procedural and technical irregularities, the *bona fides* of the officers concerned could not be questioned. The note also referred to the fact that a statement to this effect was made in the House of the People on June 4, 1952, by the late Shri Gopalaswamy Ayyangar, Minister of Defence. The note ended by saying that having regard to all these facts, the Government felt that no useful purpose would be served by holding another enquiry into these matters. A few days after the submission of this note to the PAC, namely, on 21st December, 1954, the Finance Minister made a ‡statement in the Lok Sabha on the same lines.

2. In their 14th Report, the Public Accounts Committee having considered the Government's note and the statement of the Finance Minister, have stated that on the facts of the various cases they had made their views known from which they saw no reason to deviate, but that what further action should be taken was essentially a matter for executive determination. Government have very carefully examined this part of the Report. They find, however, that no new fact or circumstance has been adduced by the Committee. In the circumstances, while the Government are reluctant to disagree with any recommendations made by such a distinguished body, as the Public Accounts Committee, they must adhere to the position that they had already taken, namely, that as these matters have already been enquired into by Government at the highest level no purpose will be served by the appointment of a further Committee of Enquiry.

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*See also Appendix XIXA.

†*See* Appendix II to 14th Report.

‡*See* Appendix III to 14th Report.

3. The Public Accounts Committee have also commented that it had not been informed in 1953 about the investigation conducted by a Committee of the Cabinet in 1952. It is true that this matter was not specifically reported to the Public Accounts Committee; but the fact that these matters had formed the subject of an enquiry at a very high level was referred to by the late Shri Gopalaswamy Ayyangar in the statement made by him in the House of the People, to which reference has been made in paragraph 1 above.

4. There are other matters arising out of the transactions which have been commented upon in the Public Accounts Committee's Fourteenth Report. They relate to matters of procedure. The Government have referred these matters to the Speaker for his guidance.

5. Government trust that in the light of the explanations now given, the Public Accounts Committee will agree to treat this matter as closed.

APPENDIX XIXA

Statement made by the Defence Minister in the Lok Sabha on 29-9-1955 re: certain transactions for purchase of Jeeps and Defence Stores in Foreign Countries referred to in fourteenth report of the P.A.C.

The Minister of Defence (Dr. Katju): On the 21st of December, 1954, my colleague, the Minister of Finance (Shri C. D. Deshmukh) made a *statement before the House in regard to certain comments made in the 9th Report of the Public Accounts Committee on matters arising out of certain orders placed for some jeeps in London and for certain defence stores on the Continent in 1948 for the Defence Services. My colleague mentioned the action which the Government had taken upon criticism levelled on these transactions and stated that the matters had been fully enquired into in 1952 by a high level committee presided over by the Prime Minister himself, and that that committee had come to the conclusion that while there had been technical and procedural irregularities no particular officer was in any way blame-worthy, and, therefore, Government did not propose to take any further action in the matter nor to appoint a Committee of Inquiry as suggested by the Public Accounts Committee in their 9th Report.

When the Finance Minister made the statement before the House, Government also laid on the Table of the House a copy of the **statement sent earlier to the Public Accounts Committee in this connection.

Government now note that the Public Accounts Committee have referred to these transactions again in Chapter V of their 14th Report and have stated that they are unable, in spite of the views of the Government of India, to deviate from the conclusions to which they had given expression in the 9th Report. Naturally, Government attach the greatest weight to any observations made by the Public Accounts Committee treat them with the greatest respect. Nevertheless, I submit that in the 14th Report the Public Accounts Committee have disclosed no new facts or figures nor have they given any new reasons. They have merely reiterated their views as expressed in the 9th Report. Government have already considered these views on the previous occasion with the utmost care and it was after the fullest deliberations that they had come to their own conclusions. The matter is now seven years old and as no new facts have come to light either through the Public Accounts Committee or otherwise, Government feel unable, under the circumstances, to alter their previous decision not to reopen this matter. They feel that any further independent enquiry will under the circumstances, be of no use whatsoever. The matter has been fully investigated at the highest level and should, in the public interest, be now considered closed.

Government have conveyed their decision to the Public Accounts Committee in a †statement of which I beg to lay a copy on the Table.

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*See Appendix III to 14th Report.
**See Appendix II to 14th Report
†Appendix XIX.

APPENDIX XX

MINISTRY OF DEFENCE

D(O&D)

Revised Note from the Ministry of Defence re: *Item No. 30 of the *Statement of the outstanding recommendations—Loss of Ordnance Stores by fire (para 38 of the Fourteenth Report of the P.A.C.).*

On the basis of the findings of the Court of Enquiry, the General Officer Commanding-in-Chief, Southern Command, recommended the following action in respect of .....

> "This Officer is due to become a substantive Captain w.e.f. 16th March 1950. It is not known whether his promotion has been published in the Gazette of India. In case it has not been published, I recommend that his substantive promotion to the rank of Captain be held up till 16th March 1951. This should be possible as all substantive promotions are subject to an officer performing his duties satisfactorily."

2. Action as recommended by G.O.C.-in-C., Southern Command, was approved by the Commander-in-Chief.

3. This Ministry agrees that the substantive promotion of the officer should have taken effect only from 16th March 1951 and the issue of the Gazette notification in December 1951 giving retrospective effect to such promotion w.e.f. 16th March 1950 was incorrect. It is stated for the information of the Committee, however, that even if the Gazette notification had been issued correctly, it would have had no effect on the *future* pay, allowances, promotion, pension, etc., of the officer, because such results flow only when service is forfeited for purposes of pay, promotion etc., and such punishment can be inflicted only by a Court Martial or an officer empowered to do so under Section 84 of the Army Act, which was not done in this case. The only effect of the issue of the correct notification would have been that the officer would not have got the pay and allowances of a Captain if he had dropped the acting rank during the period 16th March 1950 to 16th March 1951. As this officer did, in fact, drop his acting rank during this interval, action is being taken to recover from him the difference between the pay and allowances of a Captain and a Lieutenant for the period he was not holding the acting rank of Captain. This will ensure that he does not get the benefit which was not intended to be given to him. The officer responsible for the issue of the incorrect Gazette notification is also being warned.

4. The **statement forwarded under U. O. No. 7(6)/56/D (Budget), dated the 19th March 1956, which was based on incomplete information, may kindly be substituted by this note.

21-4-1956 JOINT SECY.

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*Appendix I of Vol. I—Report.

**Not printed.

APPENDIX XXI

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: *Item No. 37 of the Statement of outstanding recommendations—Irregular disposal of Engineer Stores.*

A detailed note is submitted on the case of the disposal of the American Saw Mill machinery to Shri A for consideration of the Public Accounts Committee with particular reference to their observations as contained in para. 47 of their 14th Report.

(1) In January, 1947, an American Saw Mill consisting of two diesel engines and a saw mill plant was declared for disposal by the Defence Department, to the Director General of Disposals, New Delhi. In the letter forwarding the surplus report, it was stated that the plan had been loaned to one Shri A to increase the output of packing cases, amenity furniture etc. in the Southern Command. It was further stated *inter alia* that the saw mill had not been used due to cessation of hostilites and the contractor had asked for permission to purchase this mill which was then in his hands. The declaring authority recommended that under the special circumstances explained, the Disposals Department should allow Shri A to purchase the plant and that they had made every effort to obtain the price of the saw mill but without success. No further details with regard to the plant nor the terms under which it was loaned or the efforts that had been made to realise the price were indicated in the forwarding letter. The declaring authority were requested to give further particulars. They in turn asked the Southern Command for these particulars. The Southern Command approached the custodian of the plant for further particulars. No reply was forthcoming either from the declaring authority or the Southern Command. The Disposals Department wrote a letter on the 19/21st April, 1947, to the Custodian Shri A inviting his attention to the enquiry made by the Chief Engineer, Southern, Command, Poona, and asked for particulars of the machinery. It was *inter alia* stated that the declaring authority had informed the department that Shri A was interested in the purchase of the saw mill with two diesel engines and that he should intimate the highest price which he was prepared to offer. On the 9th June, 1947, the E-in-C's Branch sent the working details and blue print lay-out of the saw mill and further stated that the custodian Shri A had been asked to produce the treasury receipt for the cost of the two diesel engines. On receipt of this information, the Disposals Department enquired further whether there was any undertaking given to the custodian of the plant which would bind the Government to offer the saw mill and diesel engines to this purchaser in the first instance. In October, 1947, the declaring authority informed the Disposals Department that the total price of the saw mill had been ascertained that it was Rs. 1,54,050 and that the value of the two prime movers,

i.e. Rs. 38,120 had been paid and the balance was still outstanding. No details were given about the terms of the contract of the sale of the plant to Shri A. It was only in July, 1948, that full details of the negotiations for the sale of the plant which were set afoot as far back as June 1945, were for the first time indicated to the Disposals Department. On receipt of these details, the matter was taken up with the Defence Ministry asking them to withdraw the surplus report and take action in such manner as might be considered appropriate by them to recover the price. The Defence Ministry admitted the irregularity and asked the Disposals Department to do their best for the recovery of the sale value. In regard to the MES officers who were responsible for entering into direct negotiations with a private party without proper authority and subsequently failing to intimate the details of the negotiations so conducted with Shri A to the D.G.S. & D. at the time of the initial declaration of the surplus stocks, the Ministry of Defence examined the disciplinary aspect and found that as the officers concerned Col. ..... (Director of Works, Southern Army), Major ..... and Lt. Col. ..... were British officers and had since been released, no action against them was possible.

(2) The following is the brief summary of the correspondence exchanged between the Director of Works, Southern Army, and Shri A in 1945:--

(i) By a letter dated 27th June, 1945, the Director of Works, Southern Army, wrote to Shri A with reference to one Col. .....'s visit and his conversation regarding the development and supply of timber from Coorg area. A copy of the specification for the saw mill plant manufactured by the American Saw Mill Machinery Co. was forwarded with this letter. It was further stated that the arrangements had been made to despatch one complete unit as described in the above papers to the Timber Liaison Officer, c/o A. As explained, this equipment was surplus to the Military requirements and the Director of Works was taking up the question of ultimate disposal of plant to him (Shri A) and that he would be informed later as to the result of these negotiations. In the meantime this plant could be installed and operated by him for production of sawn timber from Coorg area.

(ii) On the 18th July, 1945, the Director of Works wrote to the Forest Utilisation Officer, Madras, stating that the E.-in-C. had great difficulty in ascertaining the original price paid for the saw mill now offered to Shri A. The normal basis of disposal of equipment was that the cost price should be charged with an addition of 10 per cent. to cover the cost of freight. The Forest Utilisation Officer was asked to ascertain from Shri A whether he would be prepared to accept the saw mill without first knowing what its cost was, as otherwise, considerable delay would ensue in its despatch.

(iii) On the 20th July, 1945, Shri A sent a reply to the Director of Works, with reference to his letter to the Forest Utilisation Officer, intimating as under:—

"I am agreeable to accept the saw mill unit offered to me. I am prepared to pay the price when it is ascertained by you and intimated to me."

(iv) On the 13th September, 1945, the Director of Works again wrote to Shri A enquiring whether in view of the war having come to an end it was his intention to purchase the machinery. If not, the machinery should be re-consigned to the Officer Commanding, E.S.D. Kandivle Bombay.

(v) Mr. A confirmed on the 24th of September, in reply to the letter dated 13th September that it was his intention to purchase the machinery although the war had terminated successfully and he enclosed therewith a copy of the list of the machinery taken delivery of and that the crates and packages were being kept intact and stored in his godown.

(3) Later on the custodian deposited the sum of Rs. 38,120 as the cost of the two diesel engines. The correspondence was shown to the Special Solicitor attached to the Ministry of I. & S. in January, 1949, who held as under:—

"This to my mind constituted a complete contract of sale between the parties under which the payment of the price was postponed. The transaction was none the less a complete sale, as in order to constitute a sale in accordance with the Sale of Goods Act, the payment of the price may be postponed."

It appears that in giving this advice the Spl. Solicitor confined himself only to the question whether an agreement of sale was valid, even though the price was not ascertained but was to be ascertained later, and did not examine whether the Director of Works or the officers who signed for him were competent to enter into a contract of sale of this nature for and on behalf of the Governor-General-in-Council. As advised by the Special Solicitor, a letter was sent to Shri A on the 5th February making a demand for the payment of the balance of the price within 10 days of the receipt of the letter failing which Government would consider the feasibility of taking legal action. It was made clear that there was a contract of sale of the diesel engines and the saw mill at the cost price together with 10 per cent. charges thereof and that he had paid the part price and he was liable to pay the balance and that the parties to the contract could not approbate and reprobate. It was added that he could not claim to retain the two diesel engines wihout retaining the machinery and paying the entire price in terms of the agreement of sale. This letter was sent under registered cover and the purchaser sent a reply on the 2nd March, 1949, stating that he had gone through our letter and would refer the department to the earlier letter dated 21st April, 1947, wherein he was asked to intimate the highest price that he was prepared to

offer for the purchase of the saw mill together with the diesell engines. He stated *inter alia* that he had replied to this earlier letter *vide* his letter dated 14th June, 1947, offering Rs. 25,000 for the saw mill excluding the prime mover for which he had already paid and he repudiated the previous agreement of sale. After the receipt of this letter, the matter was referred to the Government pleader in May, 1949, for instituting a suit for recovery of the price from the Purchaser. The Government Pleader then invited attention of the Department to the question of competence of the officer concluding the sale, which the Spl. Solicitor apparently had not examined, and stated that if the Director of Works, Southern Army, had authority to conclude the sale of the engines and the saw mill, he would agree that a concluded sale had been effected. If, however, this officer was not competent to enter into this contract of sale, the position would be different and the sale would not be enforceable in Law. In spite of conficting legal opinion, it was initially decided in June 1949, to ask Shri A to return the saw mill if he was not prepared to pay the balance of the price of Rs. 1,31,335 and if the purchaser failed to comply with this demand, to initiate legal action. The Government Pleader had also advised that the court of jurisdiction in Malabar would be the appropriate court of jurisdiction and the suit would have to be filed there at the Defendant's place of residence or business. Before action could be taken on the decision of the 24th June 1949, the following factors prompted a reconsideration of the case by the Government:—

(i) the Director of Works had no authority to conclude the sale on behalf of the Governor-General-in-Council;

(ii) the agreement of sale had not been ratified by a letter issued by the competent authority in the manner required under Section 175(3) of the Government of India Act, 1935;

(iii) the rights of the parties to the dispute were uncertain;

(iv) by this time, people had become alive to the manner in which the contracts had to be executed on behalf of the Government and the contention that the contract was not properly executed in accordance with Section 175(3) of the Government of India Act, 1935, was being put forward in a number of cases both by and against the Government. There had been several decisions of the Calcutta High Court as well as the Punjab High Court in which it had been held that the contract which was not properly executed, was unenforceable; and

(v) when the rights of the parties to dispute were uncertain, the wisest thing was to make a settlement.

(4) It was considered that the litigation would be expensive and prolonged. The purchaser had paid for the prime movers and it was difficult to interest any party to buy the saw mill machinery without the prime movers. Furthermore, the plant was located in an out of the way place in Malabar. The only other purchaser who evinced interest in the plant was Messrs. .....

who made an offer of Rs. 7,500 in their letter dated 23rd January, 1948, for the entire saw mill machinery. It was stated by Messrs. ....., that since the power unit had been sold what was left of the saw mill machinery was of scrap value and, therefore, the price offered by them should be acceptable to the Government. Since there was no attractive alternative offer, the balance of advantage lay in an amicable settlement with the party to whom the plant had been given on loan. In response to the letter issued in April 1947, by the Disposals Department, the party has stated to have offered Rs. 25,000 for the saw mill machinery. This letter of Apr.l, 1947, asking the custodian to make an offer for the equipment was written at a time when the Disposals Department were not aware of the previous correspondence between the custodian and the Director of Works, Southern Command, which came to notice only in July, 1948. The Government by negotiating with the purchaser persuaded him to increase his offer from Rs. 25,000 to Rs. 52,534 that is an increase of Rs. 27,534 over the last price offered as against the alternative offer of Rs. 7,500 from another Timber Merchant of Malabar.

(5) It is regretted that at the time when the draft para was finalised and accepted the above facts were not clearly brought forward before the Audit Authorities and subsequently before the P.A.C.

(6) On the receipt of the 9th report of the P.A.C., the matter has been once again examined in consultation with the Ministry of Law. A copy of their detailed opinion on this case is attached as Annexure to this note.

(7) It would appear that the Government was not legally entitled to recover the balance of the sale value and it did not have a good case for making such recovery. The Government saves themselves from litigation the results of which could not have been foreseen. The litigation would have been expensive and prolonged. On the whole, therefore, the settlement by negotiation was the only proper course to adopt. The final decision to arrive at a compromise with the firm was taken by the competent officers which resulted in the Government obtaining a reasonable price and at the same time assisted in the maintenance of continuity of production.

2. The above facts are submitted for consideration of the Public Accounts Committee; it is suggested that they disclose that the sale of the saw mill was finalised in view of the uncertain legal position, to the best advantage of the State.

NEW DELHI;
20th January 1956.

Secretary to the Government of India.

ANNEXURE

COPY OF MINISTRY OF LAW U.O. No. 1153/S&D/55 DATED 15-3-55

Notes in the Ministry of Law

In 1945 an American saw-mill was loaned to Mr. A timber merchant, for increasing the output of packing cases assembly furniture etc. in the Southern Command. In June, 1945 the Director of Works, Southern Army, offered to sell this plant as surplus property to Mr. A for cost price plus 10 per cent. The offer was accepted by Mr. A and he agreed to pay that price which was to be ascertained later on. Subsequently, he confirmed his acceptance of the offer notwithstanding the fact that war had come to an end. The correspondence between Mr. A and Government was carried on by Col. ..... or Major .... on behalf of Government and all the letters were signed by them for Brigadier, Director of Works, Southern Army. The question is whether this correspondence concluded a contract which could have been legally enforced against the purchaser, Mr. A. Shri....., the then Special Solicitor attached to the Ministry of Industry and Supply advised that:—

> "this (referring to the correspondence between the purchaser and Government) to my mind constituted complete contract of sale between the parties, under which the payment of the price was postponed. The transaction was, nonetheless a complete sale, as in order to constitute a sale in accordance with the Sale of Goods Act, the payment of price may be postponed."

It appears that this advice was confined only to the question whether an agreement of sale is valid, even though the price is not ascertained, but is to be ascertained later. It was not examined whether the officers who signed the letters on behalf of the Southern Army were competent to enter into the contract of sale of this nature for and on behalf of Governor-General-in-Council. It was only when the matter was sent to the Government Pleader for instituting a suit for recovery of the price from the purchaser that the Government Pleader invited the attention to this aspect of the case and stated:—

> "If this latter officer (that is Director of Works, Southern Army) had authority to conclude the sale of the engines and the saw-mill, I would agree that a concluded sale had been effected. If, however, this officer was not competent to enter into this contract of sale the position would be different and the sale would not be enforceable in law."

The question, therefore, is whether Director of Works, Southern Command, was competent to enter into such contract on behalf of Governor-General-in-Council in 1945. A reference to the Notification No. F.215/42-C&Cr (Judicial) dated 16th July, 1943, issued by the Legislative Department under Section 175(3) of the Government of India Act, 1935, shows that only certain officers of the Supply Department were authorised to enter into contracts relating to disposal of surplus and obsolete and waste stores belonging to the Defence Services (*vide* clause XXV(5) at p. 8 of the Notification). The officers of the War Department in the Military Engineering Service Branch were not competent to enter into such contracts relating to disposal of surplus assets. This is clear from the various clauses in clause I(a) of the said Notification. By amending Notification of 19th March, 1945, (p. 54) Director of Works was included in item (1) of clause I(a) of the said notification. As a result, Director of Works was authorised to enter into contracts relating to purchase, supply and conveyance or carriage of materials, stores, machinery etc., but not surplus disposals. The power to execute contracts relating to surplus disposals, therefore, could be exercised either by the Secretary to the Central Government under the residuary item 6 of clause I(a) or by the officers of the Supply Department under the specific item 5 in clause XXV.

In view of this position, the Director of Works was not competent to enter into this contract of sale in 1945. It is also interesting to note that this correspondence was not signed by the Director of Works himself, but by some Colonel or Major on behalf of Director of Works. This weakens the position further and a *fortoreri* the contract becomes unenforceable in law. That being the position the only alternative course was to sue for the return of the saw mill and the engines. This course was not apparently profitable to Government, as there were no good alternative offers.

It is true that in 1945 when the purchaser had agreed to purchase the saw-mill at cost price plus 10 per cent., the sale could have been immediately ratified and made binding upon the purchaser. But this position was not clear at the time and it is only in 1954 that the Supreme Court pointed out in *Chaturbhuj Jasani's* case that a contract entered into by a person not authorised to enter into contract on behalf of Government or which is not expressed to be made in the name of Governor-General-in-Council or the President of India as required by section 175(3) of the Government of India Act, 1935, or Article 299(1) of the Constitution, can be ratified. The view taken up so far was that such contracts are void and unenforceable in law. Moreover, when the surplus assets were declared to the DGS&D in 1949, it was too late to ratify the contract. The DGS&D had already inquired from the purchaser as to his maximum offer and the purchaser had given that offer. This correspondence would amount to abandonment of the original negotiations which never reached the stage of concluded contract. It was not, therefore, possible for Director General of Supplies and Disposals to ratify the contract after it came to their knowledge that some negotiations were concluded by the War Department before the matter was referred to them.

The position in brief, therefore, is that:—

(1) In 1945 when the negotiations were made by correspondence, Director of Works was not competent to enter into contract.

(2) The correspondence, therefore, did not conclude a valid contract which could have been legally enforced against the purchaser for recovery of the price.

(3) The only alternative remedy was to claim back the machinery.

(4) The contract would not have been ratified in 1949, as before that date another offer had gone to the purchaser and the latter had submitted his quotation. This correspondence constituted abandonment of the previous negotiations.

(5) The position that the contracts which were concluded by officers not competent to enter into contract or not expressed in the manner required by Section 175 (3) or 299 (1) of the Constitution is for the first time declared by the Supreme Court in *Chaturbhuj Jasani's* case in 1954. Before that, the judicial decisions indicated that such contracts are void in law and cannot be legally enforced. (*Province of Bengal Vs. Puri* 51 Cal. W.N. 753) (Krishnaji Nilkanth Vs. Secretary of State AIR 1937 Bom. 449).

APPENDIX XXII

No. 1832-D(AG)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 5th March, 1956

MEMORANDUM

SUBJECT:—*Disciplinary action in cases involving financial irregularities. (Item No. 38 of the Statement* of Outstanding recommendations)*

Reference recommendation of the Public Accounts Committee contained in their Fourteenth Report, item 30.

2. In their Ninth Report on the Appropriation Accounts for 1949-50 and 1950-51, the Public Accounts Committee observed as follows:—

> "Delay in convening a Court of Inquiry and/or delay in taking action on their recommendations defeats the very object of such an inquiry. The Ministry of Defence should examine this aspect of the matter and amend the Army Act, if necessary, to ensure that adequate disciplinary action is taken in all cases against officers who have been guilty of financial irregularities and they do not escape by taking shelter under the time-limit clause."

3. In this Ministry's Office Memorandum No. 4(16)/D(AG**/53/800-E/D(E&Qtg), dated the 28th January, 1955, it was explained to the Public Accounts Committee that a dereliction by a person subject to military law could be dealt with in any of the following ways:—

(*i*) If the dereliction amounted to an offence under the Army Act, by a disciplinary tribunal constituted thereunder;

(*ii*) if it had caused any loss or damage, by award of stoppages under Section 80 or 91 of the Army Act, as the case may be; and

(*iii*) by way of administrative action, *e.g.*, proceedings under Army Rule 205.

It was also pointed out to the Public Accounts Committee that while it was true that, according to the Army Act, action by way of trial by Court Martial becomes time-barred on expiration of a period of 3 years from the date of the commission of such offence, except in cases of mutiny, desertion and fraudulent enrolment, there was no danger of any officer escaping punishment by taking shelter under the time-bar clause, as action could still be taken against the delin-

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*Appendix I of Vol. I—Report.

**Appendix X to the 14th Report of the P.A.C.

quent officer by recourse to Section 90 or 91 of the Army Act or Rule 205 of the Army Rules. Further, an officer who is found to be guilty of any financial irregularity can also be prosecuted in a Civil/Criminal Court and there is no period of limitation prescribed for launching such a prosecution. It was, therefore, submitted that the amendment of the Army Act (Section 122), as suggested by the Public Accounts Committee, was not really necessary.

4. In their Fourteenth Report, however, the Public Accounts Committee have reiterated their earlier views that the Army Act should be amended to remove the time-limit of 3 years laid down for action by Courts-Martial.

5. The suggestion of the Public Accounts Committee has been further examined in the Ministry and it is felt that the following points should be brought to the notice of the Public Accounts Committee with a view to enabling them to appreciate more fully the implications of any amendment to Section 122 of the Army Act and of the corresponding provisions in the Indian Air Force Act and the Navy Discipline Bill.

6. Courts-Martial are an executive agency designed for purely military purposes. They are constituted by a special military order for a specific purpose and are dissolved as soon as that purpose is accomplished. As compared with the civil tribunals, the Courts-Martial are thus transient in their duration and summary in their action. They have no fixed place of session, no permanent office, no inherent authority to punish for contempt, no power to issue a writ or judicial mandate; and their judgment is simply a recommendation not operative till approved by the Revisory Commander. They are also not subject to the jurisdiction of any superior Civil Court. They thus constitute a sort of exception to the ordinary Rule of Law. Granting Courts-Martial a permanent jurisdiction without the restriction of any time-bar may not thus accord with the concept of the Rule of Law. It is chiefly on these grounds that, wherever common law and the doctrine of supremacy of Civil Courts have held their ground, as for example, in the U.K., U.S.A., Australia, Canada, New Zealand, there is a period of limitation prescribed as far as the functioning of Courts-Martial is concerned. Accordingly, it is considered that it will be wrong in principle and a retrograde step on our part if Section 122 of the Army Act were to be amended with a view to remove the time-bar for the sake of expediency only, as that would be tantamount to placing a group of citizens beyond the Rule of Law to a greater extent than is necessary.

7. It will also be appreciated that Courts-Martial were originally intended to try what are purely military offences, such as mutiny, desertion, fraudulent enrolment and disobedience of orders. They were thus tribunals meant to try Service officers for purely military offences. Offences pertaining to financial irregularities are, on the other hand, essentially civil offences and do not appropriately lend themselves to trial by military courts. But the jurisdiction of Courts-Martial was later on extended to try certain of these civil offences purely on grounds of military expediency.

8. As already stated, the time-limit prescribed in the Army Act applies only to trials by Courts-Martial and it does not prevent effective action, administrative or departmental, being taken against the offender otherwise than by Court-Martial, so that even if a case becomes time-barred for trial by Court-Martial, disciplinary action against guilty officers can still be taken in several other ways, which are equally effective, *viz.*:—

(*i*) the accused can be brought to trial, if necessary, before a Civil/Criminal Court;

(*ii*) he can be proceeded against under Section 90 or 91 of the Army Act or under Army Rule 205;

(*iii*) he can be dismissed or removed from service under Section 19 of the Army Act read with Rule 14 of the Army Rules; or, if considered expedient, under Section 18 of the Army Act.

There is no time-limit laid down for any of the courses of action mentioned above.

9. What the Public Accounts Committee are obviously anxious to ensure is that adequate disciplinary action is taken in all cases against officers guilty of financial irregularities and that they do not escape by taking shelter under the time-limit clause. The Ministry of Defence share this anxiety and assure the Public Accounts Committee that suitable departmental action will always be taken against the guilty officers. They would like to state that for this purpose the existing provisions are quite adequate, and that to enable this to be done, it does not appear to be essential that Section 122 of the Army Act should be amended. Actually, in view of what has been stated in para. 6 above, such an amendment would appear to be quite inexpedient. Moreover, an amendment to a basic enactment should be resorted to only when no other alternative course of action is available to achieve the purpose in view. This is not the case here, since as stated in para. 8 above there are at least three other courses possible of adoption to bring to book officers guilty of financial irregularities.

10. In view of the position explained above, the Ministry of Defence would request that the Public Accounts Committee may kindly reconsider whether it is really necessary and expedient to amend Section 122 of the Army Act, as suggested by them in their Ninth and Fourteenth Reports.

Joint Secretary to the Government of India.

APPENDIX XXIII

COPY OF THE MINISTRY OF DEFENCE LETTER NO. 1/4/3/35/D (PROD.) DATED THE 28TH JANUARY, 1956, TO D.G.O.F. *re.* ITEM NO. 41 OF THE STATEMENT* OF OUTSTANDING RECOMMENDATIONS—FINANCIAL CONTROL.

SUB: *Financial Control*

I am directed to refer to the minutes of the meeting held on 12th July, 1955 in the Ministry of Defence for considering the question of Simplification in the System of Cost Accounting and Financial Control in Ordnance Factories and to convey the sanction of the President to the Superintendents/Officer-in-Charge of Ordnance and Clothing Factories issuing directly orders having financial implications on the subjects of fixation and revision of piece work rates, supply orders for local purchase of stores, indents or demands for procurement of stores, estimates and S.W.O. drafts inclusive of non-recurring rates without having to obtain, as is done at present, the prior concurrence by their Accounts Officers in their capacity as local Financial Adviser.

*Appendix I of Vol. I—Report.

APPENDIX XXIV

MINISTRY OF DEFENCE/D (S & T)

SUBJECT:—*Statement showing profit/loss made by individual Military Farm during the year* 1953-54

In accordance with para. 32 of the proceedings of the Military Accounts Committee on the Accounts of 1943-44, Command-wise accounts of Military Farms are furnished to the members of the Public Accounts Committee to enable them to see which set of farms is being run at a profit and which at a loss. In consultation with the financial and audit authorities, a statement (Annexure A) showing profit/loss made by each individual Military Farm in each of the three Commands is furnished for the information of the members of the Public Accounts Committee. The reasons for variation in loss/profit are also shown separately in the form of a statement (Annexure B).

2. The data contained in the statement (Annexure A) have been test checked by the Director of Audit, Defence Services.

Joint Secretary to the Government of India.

20th April, 1956.

ANNEXURE 'A'

Tabulated Statement showing the working results of all Military Farms in India for 1953-54 *as compared with those for the year* 1952-53.

Military Farms	1953-54		1952-53		Variation	
	Loss	Profit	Loss	Profit	Worse	Better
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Southern Command—						
Ahmednagar	..	55,660	66,346	..	..	1,22,006
Bangalore	..	1,93,486	..	1,29,673	..	63,813
Belgaum	..	11,874	..	70,670	58,796	..
Deolali	..	16,760	..	1,35,144	1,18,384	..
Jabalpur	..	1,06,712	..	73,552	..	33,160
Kalyan	3,783	..	..	64,148	67,931	..
Kirkee	..	95,565	..	2,12,289	1,16,724	..
Pimpri	3,464	..	..	25,399	28,863	..
Secunderabad	..	1,89,726	..	47,002	..	1,42,724
Wellington	..	21,230	..	19,277	..	1,953
Total	7,247	6,91,013	66,346	7,77,154	3,90,698	3,63,656
Net result	..	6,83,766	..	7,10,808	27,042	..
Eastern Command—						
Agra	..	17,154	..	86,090	68,936	..
Allahabad	76,676	..	..	8,986	85,662	..
Bareilly	19,038	..	45,038	..	..	26,000
Dehra Dun	..	1,10,866	..	1,64,198	53,332	..
Jhansi	..	75,433	..	1,33,033	57,600	..
Kanpur	61,127	..	..	86,620	1,47,747	..
Lucknow	33,821	..	..	78,208	1,12,029	..
Meerut	..	2,73,779	..	1,11,277	..	1,62,502
Namkom	..	92,870	..	51,845	..	41,025
Panagar	..	2,44,145	..	3,66,972	1,22,827	..
Total	1,90,662	8,14,247	45,038	10,87,229	6,48,133	2,29,527
Net result	..	6,23,585	..	10,42,191	4,18,606	..

Military Farms	1953-54		1952-53		Variation	
	Loss	Profit	Loss	Profit	Worse	Better
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Western Command—						
Ambala Cantt.	..	40,976	..	1,53,448	1,12,472	..
Delhi Cantt	..	1,05,388	..	1,33,322	27,934	..
Ferozepore	..	94,141	..	70,823	..	23,318
Jullundur	..	2,22,393	..	1,28,644	..	93,749
Mhow	..	44,271	..	69,229	24,958	..
Pathankot	..	8,41,106	..	13,60,693	5,19,587	..
Total	..	13,48,275	..	19,16,159	6,84,961	1,17,667
Net Result	..	13,48,275	..	19,16,159	5,67,884	..
All India—						
Total	1,97,909	28,53,535	1,11,384	37,80,542	17,23,782	7,10,250
Net result	..	26,55,626	..	36,69,158	10,13,532	..
Charges Centrally adjusted (Defence Accounts Department)		+1,174		+3,338		
Net result		26,56,800		36,72,496		

ANNEXURE 'B'

Reasons for variations

The better result at Military Farm, AHMADNAGAR, is due to—

1. Largely increased production of fodder from farm land.
2. Rigid economy in the expenditure all round.

The better result at Military Farm, BANGALORE, is due to—

1. Reduction in establishment charges.
2. Less repairs to buildings.
3. Reduction in depreciation charges on capital.
4. Increased receipts on account of maximum and minimum charges.
5. Reduction in interest charges on capital due to adjustment for previous years.
6. Reduction in boarding charges due to permanent transfer of dry stock to Military Farm, SECUNDERABAD.
7. Credit for the value of long outstanding unredeemed coupons.

The worse result at Military Farm, BELGAUM, is due to—

1. Decrease in trade.
2. Less receipts on account of maximum and minimum charges.
3. Less valuation of farm bred stock.
4. Increase in the expenditure on travelling and outstation allowances.
5. Less realizations from sale of castings.
6. Increase in the cost of concentrates.

The worse result at Military Farm, DEOLALI, is due to—

1. Decrease in trade.
2. Less receipts on account of maximum and minimum charges.
3. Less draftings into herd.
4. More casualties and condemnations in the herd.
5. Payment of the arrears of conservancy charges.
6. Increase in the rate of water and electricity.
7. More repairs carried out to buildings.

The better result at Military Farm, JABALPUR, is due to—

1. Increased trade.
2. Increased receipts of fodder and seeds from farm land.
3. Adjustment of interest charges on capital for the previous years.

4. Less expenditure on forage due to availability of more green fodder and silage and also production in the strength of herd to a certain extent.
5. Reduction in interest charges on Government Account "C".

The worse result at Military Farm, KIRKEE, is due to—

1. More casualties and condemnations.
2. Increased cost of skimmed milk powder.
3. More repairs to buildings.
4. Increase in the rates of water and electricity.
5. Increase in the establishment charges.
6. Decrease in trade.

The worse result at Military Farm, KALYAN, is due to—

(*Note—The Farm was closed down with effect from 1st October,* 1953).

1. Less issues of fodder to ASC. and consequent reduced receipts.
2. Adjustment retrospectively of increased rate on capital (for the period 1946-47 to 1952-53).
3. Larger condemnations of cattle (*i.e.* cattle worth Rs. 11,235 during the half year 1953-54 as against 11,028/- during the whole year of 1952-53.
4. Payment to staff for September 1953 when there was no trade.

The worse result at Military Farm, PIMPRI, is due to—

1. Special depreciation charges on purchased buffaloes.
2. Adjustment of rail charges for the year 1952-53.
3. Adjustment of the cost of maintenance charges of motor vehicles pertaining to the period from May 1949 to March 1951.
4. Metalling of roads during the year.

The better result at Military Farm, SECUNDERABAD, is due to—

This is mainly due to increased trade on account of arrival of EME and AOC Centres in the station.

The better result at Military Farm, WELLINGTON, is due to—

1. More draftings into herd.
2. Decrease in rail charges and transportation charges due to less importation of fodder.
3. Decrease in interest charges on Government Account "C".

The worse result at Military Farm, AGRA, is due to—

1. Special depreciation charges on purchased animals.
2. Less draftings into herd.
3. Increase in the rates of water and electricity.
4. Less realizations from sale of dairy produce.
5. Increased expenditure on maintenance of buildings.

The worse result at Military Farm, ALLAHABAD, is due to—

1. Less receipts due to less despatches of fodder.
2. Increase in depreciation charges on live stock.
3. Increased expenditure on maintenance of buildings.
4. During the year 1952-53 the balances of fodder stock on 31-3-1953 were priced at General Supply Rate instead of General Supply Rate less 25 per cent.
5. Increase in expenditure on purchase of more spare parts of machinery.

The better result at Military Farm, BAREILLY, is due to—

1. Less depreciation charges.
2. Less casualties and condemnations.
3. Reduction in staff.
4. Increased receipts of fodder from land.
5. Decrease in interest charges on capital.
6. More receipts on account of interest charges on Government Account "C".

The worse result at Military Farm, DEHRA DUN, is due to—

1. Less draftings into herd.
2. Less harvesting of fodder which resulted in less receipts.

The worse result at Military Farm, JHANSI, is due to—

1. Decrease in trade.
2. More expenditure on maintenance of buildings.
3. Increase in expenditure on feed of animals.
4. More repairs to Plant and Machinery and consumption of oil on engines for pumping water for cultivation.

The worse result at Military Farm, KANPUR, is due to—

1. Less draftings into herd.
2. Decrease in trade.
3. Reduction in receipts on account of maximum and minimum charges.
4. Less receipts of fodder and grains from farm land.

The worse result at Military Farm, LUCKNOW, is due to—

1. Less receipts of fodder from farm land.
2. Less draftings into herd.
3. More condemnations of cattle.
4. More expenditure on issue of paulins, oils and other stores.

The better result at Military Farm, MEERUT, is due to—

1. Reduction in establishment charges.
2. Decrease in depreciation charges.

3. More receipts of interest charges on Government Account "C".
4. Increased issues of agricultural produce.

The better result at Military Farm, NAMKUM, is due to—

1. Reduction in staff.
2. Economy in expenditure on feed and keep of animals.

The worse result at Military Farm, PANAGARH, is due to—

1. Adjustment of the rent of buildings at Military Farm Depot, Calcutta for the period from June 1948 to March 1954.
2. Adjustment of depreciation charges on cattle purchased during 1952-53.
3. Decrease in trade at Military Farm, Depot, CALCUTTA.
4. During the year 1952-53 credit for the cost of two tube wells was taken.

The worse result at Military Farm, AMBALA, is due to—

1. Adjustment of depreciation charges on cattle purchased during the year 1952-53.
2. Reduction in trade.
3. Less draftings into herd.
4. The profit made during 1952-53 included the profit of Poultry Farm which was closed down on 31-3-1953.

The worse result at Military Farm, DELHI CANTT., is due to—

1. Decrease in trade.
2. Less receipts on account of maximum and minimum charges.
3. Less issues of fodder to the Defence Services.

The better result at Military Farm, FEROZEPORE, is due to—

1. More receipts on account of sale of castings.
2. Recoveries of overpayment to a contractor for the prè-partition period.
3. More receipts on account of interest charges on Government Account "C".

The better result at Military Farm, JULLUNDUR, is due to—

1. Reduction in establishment charges.
2. Adjustment of interest charges on capital for the years 1946-47 to 1951-52.
3. Less expenditure under head Rail Charges due to less transfer/purchase of stores.
4. More receipts on account of maximum and minimum charges.
5. Production of more fodder from farm land.
6. During the year 1952-53, more expenditure was incurred on the development of land at BIR BARANGWAL.

The worse result at Military Farm, MHOW, is due to—

1. Due to feeding of young and dry stock which was surplus to requirements upto September 1953.
2. Decrease in trade.

The worse result at Military Farm, PATHANKOTE, is due to—

1. Due to reduction in sale rate of milk at "Y" station from 1-4-1953. The rate was reduced by one anna per pound.
2. Due to receipt of milk from other farms. This transferred milk was more costly than the purchased milk.

APPENDIX XXV

Statement showing the dates, duration, attendance and business transacted etc. in respect of the sittings of Public Accounts Committee held during the year, 1955-56.

Date	Time	Duration	No. of Members including the Chairman present at the sitting	Business Transacted
1	2	3	4	5
		Hrs. Mts		
22-8-1955	4 P.M. to 6-20 P.M.	2 20	13	Consideration of the Appropriation Accounts (Civil) 1951-52 and Audit Report; 1953 and Audit Report (Civil) 1954 Part I relating to the Minisries of Defence, Education and External Affairs.
23-8-1955	4 P.M. to 6 P.M.	2 20	14	—do—relating to the Ministry of Food and Agriculture.
24-8-1955	4 P.M. to 6 P.M.	2 —	14	—do—relating to the Ministries of Information and Broadcasting and Natural Resources and Scientific Research.
25-8-1955	4 P.M. to 6 P.M.	2 —	14	—do—relating to the Ministry of Works, Housing and Supply.
26-8-1955	4 P.M. to 6 P.M.	2 —	13	—do—relating to the Ministries of works, Housing and Supply, Communications and Health.
27-8-1955	10 A.M. to 12-40 P.M.	2 40	10	—do—relating to the Ministries of Health and W. H. & S.
30-8-1955	4 P.M. to 6 P.M.	2 —	13	—do—relating to the Ministries of Home Affairs and Labour and U.P.S.C.
31-8-1955	4 P.M. to 6-35 P.M.	2 35	13	—do—relating to the Ministries of Rehabilitation and Production.
1-9-1955	9-30 A.M. to 11-30 A.M.	2 —	12	—do—relating to the Ministries of Commerce and Industry and Transport.
1-11-1955	10-30 A.M. to 12-20 P.M.	1 50	15	—do—relating to the Ministry of Transport.
2-11-1955	10 A.M. to 12-45 P.M.	2 45	14	—do—relating to the Ministries of Works, Housing and Supply and Production.
3-11-1955	10 A.M. to 12 Noon.	2 —	15	—do—relating to the Ministry of Finance (Renenue Dvision).

1	2	3	4	5
15-12-1955	10 A.M. to 11-15 A.M.	1 15	11	Consideration of the Appropriation Accounts (Civil) 1951-52 and Audit Report, 1953 etc. relating to the Nahan Foundry—Ministry of Iron and Steel.
18-12-1955	10 A.M. to 1-15 P.M.	3 15	11	Consideration of the Accounts of the Delhi Road Transport Authority (Bus Section) for the years 1950-51, 1951-52, 1952-53 and 1953-54 and Audit Reports thereon etc.—Ministry of Transport.
23-1-1956	10 A.M. to 1 P.M.	3 —	14	Consideration of the Appropriation Accounts (Railways)1953-54 and Audit Report, 1955 etc. —Ministry of Railways (Railway Board).
24-1-1956	10 P.M. to 1 P.M.	3 —	14	—do—
25-1-1956	10 A.M. to 1-10 P.M.	3 10	14	—do—
18-4-1956	3-16 P.M. to 5 P.M.	1 44	7	Consideration of the Accounts of the Damodar Valley Corporation for 1952-53 and Audit Report thereon—Ministry of Irrigation and Power.
20-4-1956	3-1 P.M. to 5-20 P.M.	2 2	9	Consideration of the Accounts of the Damodar Valley Corporation for 1953-54 and Audit Report thereon—Ministry of Irrigation and Power.
21-4-1956	3-15 P.M. to 5 P.M.	1 45	11	Consideration of the Appropriation Accounts (Railways), 1953-54 and Audit Report, 1955 etc.—Ministry of Railways (Railway Board.)
25-4-1956	3 P.M. to 5 P.M.	2 —	11	Consideration of the Appropriation Accounts (Defence Services), 1953-54 and Audit Report, 1955 and Commercial Appendix thereto—Ministry of Defence.
26-4-1956	3-5 P.M. to 5 P.M.	1 55	11	—do—
27-4-1956	3 P.M. to 5 P.M.	2 —	9	—do—
28-4-1956	10-25 P.M to 12-35 P.M.	2 10	8	—do—
30-4-1956	3-10 P.M to 4-50 P.M.	1 40	8	—do—
11-5-1956	3 P.M. to 4-45 P.M.	1 45	9	Consideration of the Draft Sixteenth Report of the Committee on the Appropriation Accounts (Civil), 1951-52 and Audit Report 1953 and Audit Report (Civil), 1954 Part I.
14-5-1956	3 P.M. to 5 P.M.	2 —	12	—do—

1	2	3	4	5
28-5-1956	3 P.M. to 5 P.M.	2 —	13	Consideration of the Draft Seventeenth Report on the Appropriation Accounts (Railways), 1953-54.
27-6-1956	3-15 P.M. to 6-45 P.M.	3 30	17	Consideration of the Draft Eighteenth Report of the Committee on the Accounts of the Damodar Valley Corporation for 1952-53 and 1953-54.
28-6-1956	2-40 P.M. to 6-40 P.M.	4 —	16	Consideration of the Report of the Sub-Committee on the D.R.T.A. (Bus Section).
29-6-1956	10.A.M. to 1 P.M. 3 P.M. to 4-30 P.M.	5 —	17	Consideration of the Draft Nineteenth Report of the Committee on the Appropriation Accounts (Defence Services) 1953-54.
Total		73 16		

Note: (1) In addition to the above sittings the Committee also held informal sittin on the 17th August, 1955 and 17th April, 1956 to consider certain sub ec not directly connected with the Accounts referred to in this Statements These sittings lasted for 2 hours and 5 minutes in all.

(2) The individual attendence of Members at each sitting of the Committee has been shown in the Proceedings of these sittings in the Reports of the Committee.

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